The University of Warwick Pension Scheme

Annual report for the year ended 31 March 2021

Scheme Registration Number 10000605

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The Trustee's Report

Introduction

This report relates to the operation of The University of Warwick Pension Scheme ("the Scheme") during the year ended 31 March 2021.

Until 31 March 2010 the Scheme was a contracted-out salary related pension arrangement but from 1 April 2010 the Scheme contracted back in to the State Second Pension. The Defined Benefit (DB) Section closed to new entrants from 31 March 2010 although eligible non-Members who were in service on 31 March 2010 were allowed to join the Scheme up to 30 June 2010.

From 1 April 2010 the Scheme introduced a contracted in Defined Contribution (DC) Section for new employees to the University, which provides its Members with benefits based on their fund value.

From 1 March 2013 this original DC Section of the Scheme was renamed the Heritage Defined Contribution Section and the contribution levels amended to ensure that it complies as a Qualifying Scheme for automatic enrolment purposes under the Pensions Act 2008 legislation. A new DC Section, the Enterprise Defined Contribution Section, was established from 1 March 2013 in readiness for auto enrolment of Unitemps workers effective from 1 May 2017.

Members are able to make additional voluntary contributions (AVCs) to secure additional benefits. The Scheme also covers members (except those in the Enterprise Section) for death benefits.

Full details of the Scheme's benefits can be found in the member's explanatory booklet (see "Contact for further information" on page 8). A copy of the Heritage Defined Contribution section booklet can be accessed via the University's HR Intranet page or by e-mailing hr.pensions@warwick.ac.uk.

Management of the Scheme

The Scheme has a Corporate Trustee, UPS Pension Trustee Limited. The names of the directors who served during the year and those serving at the date of approval of this report are as follows:

Name	Nominated / appointed by	Date of appointment
Professor Emeritus Stuart Beaumont Palmer	Employer	24/05/2010
Professor Saul Domenico Jacka	Employer	07/05/2015
Mr James McMeehan Roberts	Employer	23/10/2014
Mr Quentin Compton-Bishop	Members	19/10/2016
Mr Hugh James Hunt	Employer	26/06/2017
Ms Jennifer Elizabeth Davies	Members	13/03/2019

Directors are appointed and removed from office in accordance with the Scheme Rules and the Trustee Company's Articles of Association. At least one third of the Trustee Directors appointed by the Principal Employer must be nominated by the Members.

The Trustee held a number of full meetings during the year under review. Each Trustee Director is entitled to receive at least ten days' notice of meetings, although in practice dates are normally fixed well in advance. The Scheme Rules provide that decisions of the Trustee may be made by a majority of the Trustee Directors present at any meeting and the Chairman has a casting vote. The Trustee uses sub-committees as appropriate, for example the investment sub-committee to consider more detailed technical work. The sub-committees in each case report their recommendations to the Trustee.

The Trustee has delegated the day-to-day management and operation of the Scheme's affairs to professional organisations

The Trustee's Report (cont)

Scheme advisers

The Trustee retains a number of professional advisers in connection with the operation of the Scheme. The advisers currently appointed are as follows:

Scheme Actuary	Lloyd Cleaver FIA
Advising Actuaries	Willis Towers Watson
Administrators	Barnett Waddingham LLP (DB Section) Zurich Assurance Limited (DC Section)
Auditor	KPMG LLP
Bankers	National Westminster Bank plc
Custodian	State Street Bank and Trust Company
Investment Advisors	Willis Towers Watson
Investment Fund Managers	BlackRock Advisers (UK) BNY Mellon Investments (from December 2020) Capstone Asset Management Colchester Global Investments (from January 2021) First State Investments UK Ltd Insight Investment Legal and General Investment Management JPMorgan Asset Management (UK) Limited Nephilia Capital State Street Global Advisors TCW Securitized Opportunities (Cayman) L.P. Towers Watson Investment Management Ltd Wellington Management Zurich Assurance Limited (DC Sections) Prudential (AVCs)
Legal Advisers	Eversheds Sutherland
Secretary to the Trustee	Joseph Devlin
Pensions Administration Manager	Ben Moulding

Changes in and other matters relating to Scheme advisers

There have been no other matters relating to Scheme advisers during the Scheme year under review.

Changes to Scheme Rules

There have been no changes to the Scheme Rules during the year under review.

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The Principal Employer

The name and address of the Principal Employer is as follows:

The University of Warwick, Coventry, CV4 7AL

The following Employers, all of which are associated in business with the Principal Employer, have also participated in the Scheme during the year under review:

Employer Name

The University of Warwick Science Park Limited

Warwick University Enterprises Limited (Enterprise DC Section only)

Financial development of the Scheme

During the year the value of the net assets increased by £3,813,162 to £256,562,604 as at 31 March 2021. The increase comprised net withdrawals from dealings with members of £2,049,762 together with a net increase from the return on investments of £5,862,924.

Scheme Audit

The financial statements on pages 23 to 39 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Tax status of Scheme

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustee's knowledge, there is no reason why the Scheme's registered status should be prejudiced or withdrawn.

Scheme membership

Defined Benefit Section	Number as at start of year	Changes in year	Number as at end of year
Active members	439		
adjustments		(1)	
left (preserved pensioners)		(26)	
retired		(21)	
		(48)	391
Preserved pensioners	888		
new		26	
transferred out		(2)	
retired		(40)	
died		(3)	
commuted pension		(2)	
		(21)	867
Pensioners and dependants	1,055		
adjustments		(1)	
new		61	
new dependants		14	
commuted pension			
died		(30)	
		44	1,099
Grand total members	2,382		2,357

The Trustee's Report (cont)

Included within the pensioners and dependants are 129 (2020: 129) pensions paid from annuities held in the name of the Trustee.

Adjustments relate to late notifications and a data cleanse on the active and preserved membership.

Defined Contribution Section	Number as at start of year	Number as at end of year
Active members	2,247	2,139
Preserved pensioners	1,484	1,693
Grand total members	3,731	3,832

The member numbers shown above reflect the number of member records held by the Scheme.

Pension increases

Pensions in payment were increased during the period as follows:

- That part of the pension appropriate to service before 6 April 1997 was increased by 3%.
- That part of the pension appropriate to service between 6 April 1997 and 5 April 1999 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 5% and a minimum of 3%, therefore 3%.
- That part of the pension appropriate to service between 6 April 1999 and 5 April 2006 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 5%, therefore 2.5%.
- That part of the pension appropriate to service between 6 April 2006 and 31 March 2010 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 3%, therefore 2.5%.
- That part of the pension appropriate to service after 31 March 2010 was increased by the percentage increase in the Retail Prices Index subject to a maximum of 2.5%, therefore 2.5%.

These increases are in accordance with the Scheme Rules. No discretionary increases were awarded.

COVID-19

During the year, there has been significant volatility in markets as a result of the Coronavirus (COVID-19) pandemic. The Trustee is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond to the emerging issues.

The Trustee believes the Scheme's investment strategy is already significantly de-risked and does not expect there to have been a material change to the Scheme's funding position as a result of COVID-19. The funding level of the Scheme is kept under review by the Scheme's investment advisers and Scheme Actuary.

GMP equalisation

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes.

The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. As noted on page 10, the total impact on the Scheme's actuarial liabilities has been estimated at 0.25% of the total liabilities of the Scheme (excluding the expenses reserve).

The Trustee's Report (cont)

GMP equalisation (cont)

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these accounts, it is not possible to estimate the value of any such adjustments at this time.

The Trustee has formed a Data and GMP sub-committee and held meetings with its advisers to consider this further but given the complexity of the topic it is still reviewing the data and options available. A Project Manager has been appointed to provide assistance to the Trustee.

Transfer values

All cash equivalents (transfer values) paid during the year were calculated and verified in the manner required by the Pensions Act 1993 and subsequent amendments. No discretionary benefits are included in the calculation of transfer values.

A cash equivalent is the amount which a Scheme member is entitled under social security legislation to have applied as a transfer payment to another permitted pension arrangement or a buy-out policy.

Data Protection Act 2018 and General Data Protection Regulations

Under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 regulations, pension scheme trustees are classed as data controllers, with legal responsibility for compliance falling to them. Scheme Actuaries are also classed as data controllers (jointly with the trustees) in accordance with guidance issued by the Actuarial Profession. Barnett Waddingham LLP act as a data processer as the administrators of the Scheme.

The Trustee has worked with its advisers to receive relevant training, and continues to do so to ensure continued compliance with data protection legislation.

Codes of Practice

The Trustee is aware of and adheres to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

The Pensions Regulator: Record Keeping

TPR issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the trustees) and those who administer pension schemes. The guidance covers both common data and also scheme-specific data (conditional). The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded. More information can be found at:

http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx

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Contact for further information

If, as a defined benefit Scheme member, you wish to obtain further information about the Scheme, including copies of the Scheme documentation, your own pension position or who to contact in the event of a problem or complaint, please write to or telephone:

The University of Warwick Team, Barnett Waddingham LLP, St James's House. St James's Square, Cheltenham, GL50 3PR.

Telephone: 0333 1111 222

Alternatively you may contact the Scheme administrators online at:
https://logon.bwebstream.com/shared/contact

If you are a member of the defined contribution section (either Heritage or Enterprise sections) and have a query you should contact the Human Resources (HR) Pensions Administration Team at:

Pensions Administration, HR Department, University House, University of Warwick, Coventry, CV4 8UW
Alternatively you may contact the team online at: hr.pensions@warwick.ac.uk

Statement of Trustee's Responsibilities

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, is the responsibility of the Trustee. Pension scheme regulations requires the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

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Statement of Trustee's Responsibilities (Cont)

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to covers its technical provisions. The technical provisions represent the present value of the benefit members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the University and set out in the Statement of Funding Principles, which is available to Scheme members on request.

The most recent full actuarial valuation of the Defined Benefit section of the Scheme was carried out as at 31 March 2019. The next full actuarial valuation will be carried out as at 31 March 2022. An actuarial report was performed on 31 March 2020. The table below shows the results of these valuations.

Valuation date	31 March 2020 £m	31 March 2019 £m
Value of technical provisions (£m)	264.3	240.3
Value of assets available to meet technical provisions (£m)	237.8	221.7
Assets as a percentage of technical provisions	90%	92%

The values above relate to the DB Benefits Section of the Scheme, including the assets and liabilities in relation to AVC benefits. The Trustee holds annuity policies that secure the pensions payable to certain specified beneficiaries. However, as permitted under current regulations and accounting practice, the Trustee has decided that these policies need not be valued in the Net Asset Statement on the grounds of materiality. The figures above include a prudent assessment of these annuity policies, but it is worth noting that the assets and liabilities covered by these policies match each other exactly.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

The principal assumptions that were used for the actuarial valuation as at 31 March 2019 and for the 31 March 2020 funding update are set out below. The assumptions as at 31 March 2019 were derived having regard to the agreed Statement of Funding Principles dated 5 June 2020 and market conditions at 31 March 2019. The assumptions as at 31 March 2020 were derived having regard to the agreed Statement of Funding Principles dated 5 June 2020, updated for market conditions at 31 March 2020 and allowing for a de-risking of the Scheme's short-term investment strategy in Q2 2020 such that the target portfolio return reduced by 0.3% pa to 31 March 2029.

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Report on Actuarial Liabilities (Cont)

All assumptions have been derived with reference to the full gilt yield curve and implied inflation curve, from the Willis Towers Watson Investment Model. Detailed in the table below are the single equivalent financial assumptions (rounded to the nearest 0.05%). These represent the equivalent single assumptions which taken in isolation would produce the same liability figure as that derived from using the full curves for each respective financial assumption.

Assumed future rate of:	31 March 2020 % pa	31 March 2019 % pa
Discount rates:		
- Short term discount rate	1.60	2.50
- Long term discount rate	0.95	1.70
- Initial time horizon	9 years	10 years
Salary increases:	2.05	2.55
Deferred increases on pension in excess of GMP * :		
- Pre 6.4.09	2.05	2.55
- Post 5.4.09	2.05	2.50
Pension increases in payment:		
- Pre 6.4.97 (inc. GMP) (fixed 3%)	3.00	3.00
- Post 5.4.97, pre 6.4.99 (RPI, min 3%, max 5%)	3.60	3.85
- Post 5.4.99, pre 6.4.06 (RPI, max 5%)	2.60	3.15
- Post 5.4.06, pre 1.4.10 (RPI, max 3%)	2.00	2.30
- Post 31.3.10 (RPI, max 2.5%)	1.70	2.00
Mortality in retirement		
- Base mortality tables		
Male Pensioners	SAPS (S3) normal tables with a multiplier of 114%	
Female Pensioners	SAPS (S3) normal tables with a multiplier of 102%	
- Future improvements in longevity	CMI 2018 core projections (including core values for the extended parameters) with a 1.5% pa long-term trend	
GMP equalisation**	0.25% of total defined benefit liability (excluding expenses allowance)	

* GMP receives statutory fixed rate revaluation in deferment

** An allowance equal to 0.25% of the total liabilities of the Scheme (excluding the expenses reserve) has been made as a reserve for the impact of any need to equalise benefits accrued between 17 May 1990 and 5 April 1997 to allow for the unequal impact of Guaranteed Minimum Pensions on men and women. It is expected that detailed calculations will be undertaken in due course and the benefits and liabilities of the Scheme will be adjusted accordingly

Towers Watson Limited, a Willis Towers Watson Company

25 May 2021

The Trustee's Report (cont)

The Investment Report

DB Section

Introduction

The Trustee maintains a Statement of Investment Principles ("SIP"), as required by Section 35 of the Pensions Act 1995, and a copy of the latest statement (dated September 2020) is available at

https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups_db_sip_2020.pdf.

This outlines the Scheme's investment governance structure and asset allocation strategy.

Departures from investment principles

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

Governance structure

The Trustee has ultimate responsibility for decision-making on investment matters.

In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities in accordance with the Scheme's Trust Deed and Rules.

In particular, the Trustee delegates a number of tasks to an Investment Sub Committee ("ISC") as well as a Delegated Chief Investment Officer ("DCIO"), the latter function being carried out by Towers Watson Limited.

The Trustee's primary investment role and responsibility is to set the overall strategic investment objectives for the Scheme, including a risk budget and return target (taking advice from the ISC and DCIO), and ensuring that these objectives remain appropriate over time.

The DCIO's roles and responsibilities are set out within a Fiduciary Management Agreement ("FMA"). The DCIO is responsible for managing the Scheme's investments within the constraints of specific Investment Guidelines, which are designed to be consistent with the long-term strategic goals and parameters agreed by the Trustee. Specific responsibilities include: determining asset allocation and liability hedging design; selecting and de-selecting underlying investment managers; implementing all asset transitions; and providing regular monitoring reports.

The ISC's roles and responsibilities include monitoring the activity and performance of the DCIO for the services provided as set out in the DCIO's FMA, and reporting to the Trustee.

Further details regarding the division of responsibilities are set out in the Scheme's SIP.

Choosing Investments

The Trustee has delegated responsibility for the selection and deselection of investments, and the ongoing management of relationships with asset managers to the DCIO within Investment Guidelines set by the Trustee.

The Trustee expects the DCIO to appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the Trustee expects the DCIO to focus on longer-term outcomes, commensurate with the Trustee's position as a long term investor.

For most of the Scheme's investments, the Trustee expects the DCIO to appoint managers with a medium to long time horizon, consistent with the Scheme. In particular areas such as equity and credit, the Trustee expects the DCIO to work with managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment.

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The Trustee expects the DCIO to assess the alignment of the Scheme's underlying managers' approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. In addition, the Trustee expects the DCIO to review the managers' approach to sustainable investment (including engagement) on a regular basis and engage with the manager to encourage further alignment as appropriate. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and the managers' engagement activities. If, following engagement, the DCIO considers that the degree of alignment remains unsatisfactory, the Trustee expects the DCIO to deselect the manager.

The Trustee expects the DCIO to consider the fee structures of asset managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the appointment of an asset manager and on an ongoing basis. Asset managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the DCIO to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee expects the DCIO to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

Further information on the Trustee's policies can be found in the Scheme's SIP. The extent to which the Trustee believes it has adhered to these policies over the scheme year is disclosed in the Scheme's Implementation Statement.

Responsible investing, stewardship and sustainability

The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that:

- an investment's financial success can be influenced by a wide range of factors including environmental, social and governance (ESG) issues and stewardship
- ESG considerations and stewardship are therefore important aspects of responsible financial risk management in order to protect the value of investments and should improve long-term member financial outcomes.

Where ESG factors, stewardship and broader sustainable investment considerations are deemed to be financially material, the Trustee believes that they should be taken into account within the investment decision-making process. The Trustee may consider non-financial matters as part of its overall decision making and setting of investment strategy including as and when views are proactively raised by members, and will continue to monitor and review its approach in this area.

The Trustee applies the principles outlined above via the selection and monitoring of the DCIO (and its associated approach to ESG and broader sustainability issues). In particular, the Trustee has delegated:

- investment manager selection, de-selection and monitoring to the DCIO
- the selection, retention and realisation of investments to the DCIO and in turn to the Scheme's investment managers (in accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers)
- responsibility for the exercising of rights (including voting rights) attaching to investments to the Scheme's investment managers.

Further information on this can be found in the Scheme's SIP.

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Asset allocation strategy

The asset allocation at the beginning and end of this accounting year was as follows:

Asset Class	Asset allocation (%) 31.03.20	Asset allocation (%) 31.03.21
Equities		
Global equities (Inc. Emerging)	10.0%	11.9%
Alternative betas		
Diversifying strategies	18.0%	10.4%
Alternative credit		
Global high yield	1.0%	3.0%
Securitised credit	3.4%	4.4%
Emerging Market Debt	2.6%	1.5%
Global sovereign credit	-	2.0%
Real assets		
REITs	3.0%	3.6%
Infrastructure	3.4%	3.2%
Secure Income Assets	6.9%	6.9%
Downside risk hedging		
Downside risk hedging	0.7%	0.5%
Matching assets		
Matching assets (including cash)	51.0%	52.7%
Total*	**100%**	**100%**
Liability hedge ratio*	***c.94%***	***c.95%***

* Totals may not sum due to rounding

** The liability hedge ratio is an estimate of 'the sensitivity of the assets to changes in long-term interest rate and inflation expectations' relative to 'the sensitivity required to insulate the funding level against changes in long-term interest rates and inflation'.

The change in asset allocation over the year reflects a combination of relative market movements as well as some portfolio rebalancing.

The asset allocation only reflect the assets managed by the DCIO and excludes any annuity policies, AVCs or cash held in the Trustee account.

Review of investment performance

Summary

Over the first quarter in 2020, COVID 19 morphed into a global pandemic, central banks eased aggressively to provide liquidity and mitigate the demand shock. As economies opened over the second quarter in 2020, governments continued monetary stimulus programmes to help economic recovery. Examples include the European Central Bank's €750 billion stimulus package (c.4.7% of EU GDP), the Bank of England increasing its target stock of UK government bonds by an additional £100 billion, and the Fed in the US increasing their purchases of Treasury and mortgage-backed securities and corporate bonds.

Beyond the monetary stimulus of quantitative easing programmes, the US and UK central banks kept interest rates at their record low over the period. The Bank of England reduced base rates from 0.75% to 0.25% on 11 March 2020, and then further announced a reduction to 0.10% on 19 March 2020, the lowest rate set in the Bank's 325-year history. The Fed reduced rates to a target range of 1.00 – 1.25% on 3 March 2020, and then made a further reduction to 0.00-0.25% on 15 March 2020, which is the

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lowest rate range the Fed has set in its history. The interest rate in the UK, US and the EU have remained unchanged since March 2020.

A trade deal was struck on 24 December 2020 between the UK and the EU, allowing trading in goods without tariffs or quotas. However, customs costs and non-tariff barriers will increase trading costs. The deal is thin on trade in services, which makes up 80% of the UK economy. In financial services, for example, the EU has granted only a temporary equivalence in specific areas for British regulatory standards. Additional discussions will determine the details on topics such as trade in services, passporting of financial services, and data sharing and protection laws. Over Q1 2021, Rishi Sunak announced a favourable budget for businesses. Mr Sunak is relying on taxes to balance the budget. Corporation tax is set to increase from 19% to 25% by 2023. Income-tax thresholds will be frozen in cash terms from 2023, generating more tax revenue as incomes grow. These future tax increases are helped by a forecast (from the Office of Budget Responsibility) of 7.3% economic growth by 2022.

In November 2020, Joe Biden won the US election. Over the first quarter of 2021, Biden's $1.9tn spending package was passed by the Senate. This stimulus package brings the total pandemic-related spending to $6tn (28% pre-crisis GDP). This has led to inflationary expectations rising, in reaction to which the US 10-year nominal bond yield has risen c.70bps. Nevertheless, the Fed has maintained an accommodative tone: bond purchases will continue over the foreseeable future with no change in forward guidance on their first rate hike.

Currency markets

Over the 12 months to 31 March 2021 sterling has appreciated against the US dollar, the Euro and the Yen by 11.3%, 3.9% and 13.9% respectively.

Equity markets

Equity market returned double digit positive growth over the 12 month period across all regions. The FTSE World Index returned 39.6% in sterling terms. Asia Pacific (excluding Japan) was the best performing region, returning 50.6% in sterling terms. North American equities and Emerging Market equities were also noteworthy, as FTSE North America returned 42.8% and FTSE All-World All Emerging Index returned 40.8%. The worst performing region was Japan, with FTSE Japan Index returning 26.3% over the year in sterling terms.

Bond markets

UK government bond yields (which move inversely to bond price) increased over the 12 month period. Long maturity UK gilts returned -10.4% over the period (as measured by FTSE-A Gilts Over 15 Years Index). Inflation-linked gilt yields decreased over the 12 month period with FTSE-A Index-Linked Gilts Over 15 Years Index returning 2.3%.

Over the past year, local currency emerging market debt underperformed hard currency emerging market debt, returning -7.5% and -4.6% respectively.

Alternative investment markets

Crude oil returned 159.6% (West Texas Intermediate Crude Oil) in sterling terms over the 12 months to 31 March 2021. Following the Q1 2020 shock in oil markets, oil prices doubled in the second quarter from US $20.5 to US $41.3 per barrel due to OPEC and Russia reaching an agreement to make temporary cuts in production and due to increased demand as economies came out of COVID-19 lockdowns. Towards the end of the 2020, oil prices made further gains due to increased demand from China and India, and news of a vaccine. Over the first quarter of 2021, oil price continued to increase reaching a 1-year high (in mid-March) of US$65 per barrel. However, price volatility increased as the market reacted to conflicting concerns surrounding fears of increased COVID-related restrictions (reducing oil demand) and the developing Suez canal blockage situation (reducing oil supply), resulting in the oil price closing the month down at US$59.2

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Commercial UK property (as measured by the IPD Monthly Index) returned 2.8% over the 12 month period.

Performance

Total Scheme investment returns for the Scheme year are summarised below:

Period to 31 March 2021	Return (%)
Quarter	-7.6
Year	+0.5
3 years (annualised)	+5.3

The following table provides a breakdown of returns since 1 January 2013, when the current investment structure was put in place:

Asset class / Portfolio	Since inception return (% pa)
Global equities:	
Global equities (including Emerging)	9.7
Alternative betas:	
Diversifying Strategies	0.6
Alternative credit:	
Global high yield[1]	9.7
Securitised credit[2]	5.7
Emerging Market Debt[3]	2.2
Global sovereign credit	1.2
Private markets:	
Infrastructure	10.9
REITs[4]	4.2
Secure Income Assets[5]	3.5
Downside risk hedging	
Downside risk hedging[7]	*25.2*
Matching assets:	
Matching assets (including cash)	17.0
Total Scheme	**8.5**

[1] Global High Yield inception date – 01/12/2015
[2] Securitised Credit inception date – 01/06/2016
[3] Emerging Market Debt inception date – 30/11/2017
[4] REITs inception date – 10/11/2016
[5] Secure Income Assets inception date – 01/12/2018 –performance as reported by the Scheme's performance measurer (State Street) is lagged as at 31 December 2020.
[6] Global sovereign credit inception date – 01/05/2020
[7] Downside Risk Hedging inception date – 01/05/2019

The Trustee's Report (cont)

The Investment Report (cont)

DC Section

Performance

DC Section investment returns for the last 12 months are summarised below:

Fund	Return (%)	Benchmark (%)	Relative (%)
UPS Balanced Growth	30.2	29.3	0.9
UPS Equity Growth	38.0	37.3	0.7
UPS Money Market	0.0	(0.1)	0.1
UPS Pre-Retirement	2.2	2.1	0.1
SW Money Market CS1	0.0	0.1	(0.1)
SW Passive Multi-Asset I CS1	7.6	7.3	0.3
SW Passive Multi-Asset II CS1/CS3	15.0	14.5	0.5
SW Passive Multi-Asset III CS1	24.1	23.0	1.1
SW Passive Multi-Asset IV CS1	30.0	30.0	-
SW Passive Multi-Asset V CS1	37.0	36.5	0.5
SW Passive Annuity Purchase CS1	(2.5)	(2.6)	0.1

Implementation Statements

Implementation statements have been included on page 44 for the DB Section and page 59 for the DC Section. These statements form part of this report.

Approval of Trustee's Report

The Trustee's report including the Implementation Statement on page 44 is approved by the Trustee and signed for and on behalf of the Trustee:

Date: 24/9/21

Signed on behalf of the Trustee:

[redacted]

25/9/21

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the Schedule.

Summary of Contributions payable in the year

During the year, the contributions payable to the Scheme under the Schedule of Contributions were as follows:

Defined Benefit Section	£
Employer normal contributions	2,147,794
Employer deficit contributions	1,148,386
Members' normal contributions	477,611
Defined Contribution Section	
Employer normal contributions*	1,237,459
Members' normal contributions	1,248,982
Employer additional reserve fund	15,701
Total contributions payable under the Schedule of Contributions and reported on by the Scheme auditor	6,275,933

During the year, the contributions not payable per the Schedule of Contributions were as follows:

Defined Benefit Section	
Employer Additional Voluntary Contributions	3,081
Members' Additional Voluntary Contributions	55,397
Defined Contribution Section	
Members' Additional Voluntary Contributions	53,684
Total contributions reported in the financial statements	6,388,095

* During the year the employer disinvested a total of £980,331 from the DC section pooled investments to fund normal employer contributions for the DC section.

Signed on behalf of the Trustee:

[redacted]

Date: 24/9/21 25/9/21

Independent Auditor's Statement about Contributions to the Trustee of The University of Warwick Pension Scheme

We have examined the summary of contributions payable under the Schedule of Contributions to the University of Warwick Pension Scheme in respect of the Scheme year ended 31 March 2021 which is set out on page 17.

In our opinion contributions for the scheme year ended 31 March 2021 as reported in the Summary of Contributions and payable under the Schedules of Contributions have, in all material respects, from 1 April 2020 to 4 June 2020 been paid at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 1 February 2018 and subsequently been paid at least in accordance with the Schedule of Contributions certified by the Scheme actuary on 5 June 2020.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of the Trustee and the auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 8, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedules of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, as a body, for our work, for this statement, or for the opinions we have formed.

[redacted]

Iryndeep Kaur-Delay **Date: 27 September 2021**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Independent Auditor's Report to the Trustee of The University of Warwick Pension Scheme

Opinion

We have audited the financial statements of The University of Warwick Pension Scheme ("the Scheme") for the year ended 31 March 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Independent Auditor's Report (Cont)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee's Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee (or its delegates including Scheme Management) may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee ; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and Scheme Management (as required by auditing standards), and discussed with the Trustee and Scheme Management the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee's meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's Report (Cont)

Secondly, the Scheme is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognizing the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 18 of the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee has responsibility for the other information, which comprises the Trustee's report (including the Report on actuarial liabilities, Implementation Statement and the Summary of contributions), and the Actuarial certification of the schedule of contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 8, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Independent Auditor's Report (Cont)

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

[redacted]

Iryndeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill, Snowhill Queensway
Birmingham, B4 6GH

Date: 27 September 2021

The Financial Statements

Fund Account

for the year ended 31 March 2021

	Note	31 March 2021 Defined Benefit Section £	31 March 2021 Defined Contribution Section £	31 March 2021 Total £	31 March 2020 Total £
Contributions and benefits					
Employer contributions		3,299,261	1,253,160	4,552,421	5,560,346
Employee contributions		533,008	1,302,666	1,835,674	1,813,751
Total contributions	5	3,832,269	2,555,826	6,388,095	7,374,097
Transfers in	6	-	36,500	36,500	55,457
Other income	7	49,332	91,890	141,222	113,146
		3,881,601	2,684,216	6,565,817	7,542,700
Benefits paid or payable	8	(6,396,871)	(327,502)	(6,724,373)	(6,493,439)
Payments to and on account of leavers	9	(518,540)	(334,259)	(852,799)	(314,120)
Administrative expenses	10	(531,339)	(108,239)	(639,578)	(772,841)
Other payments	11	(222,861)	(175,968)	(398,829)	(130,986)
		(7,669,611)	(945,968)	(8,615,579)	(7,711,386)
Net (withdrawals) / additions from dealings with members		(3,788,010)	1,738,248	(2,049,762)	(168,686)
Returns on investments					
Investment income	12	8,836,067	31	8,836,098	19,446,763
Change in market value of investments	13	(6,547,310)	4,159,434	(2,387,876)	(903,764)
Investment management expenses	14	(505,577)	(79,721)	(585,298)	(549,120)
Net returns on investments		1,783,180	4,079,744	5,862,924	17,993,879
Net (decrease) / increase in the fund during the year		(2,004,830)	5,817,992	3,813,162	17,825,193
Net assets of the Scheme					
At 1 April 2020		236,735,899	16,013,543	252,749,442	234,924,249
At 31 March 2021		234,731,069	21,831,535	256,562,604	252,749,442

The notes on pages 25 to 39 form part of these financial statements.

Statement of Net Assets

available for benefits as at 31 March 2021

	Note	31 March 2021			31 March 2020
		Defined Benefit Section £	Defined Contribution Section £	Total £	Total £
Investment assets:					
Pooled investment vehicles	16	232,387,334	21,534,598	253,921,932	240,592,443
Cash in transit	13	17,005	955	17,960	9,828,938
AVC investments	17	901,852	-	901,852	976,786
Total investments		233,306,191	21,535,553	254,841,744	251,398,167
Current assets	21	1,568,763	323,044	1,891,807	1,645,659
Current liabilities	22	(143,885)	(27,062)	(170,947)	(294,384)
Net assets of the Scheme at 31 March available for benefits		234,731,069	21,831,535	256,562,604	252,749,442

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Section is dealt with in the Report on Actuarial Liabilities on pages 9 to 10 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 25 to 39 form part of these financial statements.

These financial statements were approved by the Trustee on

Date: 24/9/21

Signed on behalf of the Trustee:

[redacted]

Director Director

23/9/21

Notes to the Financial Statements

Details of general information for the Scheme are available in the Trustee's Report.

1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as they believe that the Scheme has adequate resources to meet obligations as they fall due for at least the next twelve months from the approval of these financial statements.

In reaching this conclusion, the Trustee considered the impact of the COVID-19 outbreak on the Scheme and on the Sponsoring Employer, University of Warwick. Student recruitment has remained very strong exceeding expectations and cashflows have similarly held up well with no significant increase in bad debts. Student recruitment for the coming year is also looking strong and the conversion rate for international students from offers to acceptance is also very strong.

On this basis, whilst the impact of the COVID-19 outbreak cannot be accurately predicted, given the strong funding position, the Trustee consider that the Scheme will nevertheless continue to operate. Following this assessment, the Trustee concluded it was appropriate to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report.

3. Accounting policies

The principal accounting policies of the Scheme which are applied consistently are as follows:

Currency

- The Scheme's functional and presentational currency is pounds sterling. Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year-end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Contributions

- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and Trustee.
- Employee contributions, including AVCs, are accounted for by the Trustee when they are deducted from pay by the Employer.
- Employer normal contributions are accounted for in accordance with the Schedule of Contributions in force during the year.
- Employer additional contributions are accounted for in accordance with the agreement under which they are payable or, in the absence of an agreement, on a receipts basis.

Payments to members

- Pensions in payment are accounted for in the period to which they relate.
- Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken, or if there is no member choice, on the date of retiring or leaving.
- Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

Expenses

- Expenses are accounted for on an accruals basis.
- Investment management expenses are also accounted for on an accruals basis.

Investment income

- Income from pooled investment vehicles is accounted for when declared by the fund manager.
- Income from cash and short term deposits is accounted for on an accruals basis.
- Receipts from annuity policies are accounted for as investment income on an accruals basis.
- Investment income arising from the underlying investments of the pooled investment vehicles is reinvested within the pooled investment vehicles and reflected in the unit price. Thus, it is reported within "Change in market value".

Notes to the Financial Statements (Cont)

3. Accounting policies (Cont)

Investments are included at fair value as stated below:

- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment manager.
- Annuities purchased by the Trustee which fully provide the benefits for certain members are not included as assets of the Scheme as they are deemed not material. The cost of purchasing these annuities is reported under benefits payable within the Fund Account.
- With profit insurance policies are reported at the policy value provided by the insurance company based on the cumulative reversionary bonuses declared and the current terminal bonus.

4. Comparative disclosures for the Fund Account and Statement of Net Assets

Fund account

	Note	31 March 2020		
		Defined Benefit Section £	Defined Contribution Section £	Total £
Contributions and benefits				
Employer contributions		3,291,006	2,269,340	5,560,346
Employee contributions		579,398	1,234,353	1,813,751
Total contributions	5	3,870,404	3,503,693	7,374,097
Transfers in	6	-	55,457	55,457
Other income	7	33,970	79,176	113,146
		3,904,374	3,638,326	7,542,700
Benefits paid or payable	8	(6,225,604)	(267,835)	(6,493,439)
Payments to and on account of leavers	9	(127,069)	(187,051)	(314,120)
Administrative expenses	10	(665,558)	(107,283)	(772,841)
Other payments	11	(40,262)	(90,724)	(130,986)
		(7,058,493)	(652,893)	(7,711,386)
Net (withdrawals) / additions from dealings with members		(3,154,119)	2,985,433	(168,686)
Returns on investments				
Investment income	12	19,446,285	478	19,446,763
Change in market value of investments	13	241,386	(1,145,150)	(903,764)
Investment management expenses	14	(490,789)	(58,331)	(549,120)
Net returns on investments		19,196,882	(1,203,003)	17,993,879
Net increase in the fund during the year		16,042,763	1,782,430	17,825,193
Net assets of the Scheme				
At 1 April 2019		220,693,136	14,231,113	234,924,249
At 31 March 2020		236,735,899	16,013,543	252,749,442

Notes to the Financial Statements (Cont)

4. Comparative disclosures for the Fund Account and Statement of Net Assets (cont)

Net Assets Statement available for benefits at 31 March 2020

	Note	31 March 2020		
		Defined Benefit Section	Defined Contribution Section	Total
		£	£	£
Investment assets:				
Pooled investment vehicles	16	224,894,428	15,698,015	240,592,443
Cash in transit	13	9,828,938	-	9,828,938
AVC investments	17	976,786	-	976,786
Total net investments		235,700,152	15,698,015	251,398,167
Current assets	21	1,306,148	339,511	1,645,659
Current liabilities	22	(270,401)	(23,983)	(294,384)
Net assets of the Scheme at 31 March 2020 available for benefits		236,735,899	16,013,543	252,749,442

5. Contributions

	2021		
	Defined Benefit Section	Defined Contribution Section	Total
	£	£	£
Employer contributions			
Normal	2,147,794	1,237,459	3,385,253
Deficit	1,148,386	-	1,148,386
Additional	3,081	15,701	18,782
	3,299,261	1,253,160	4,552,421
Employee contributions			
Normal	477,611	1,248,982	1,726,593
Additional voluntary contributions	55,397	53,684	109,081
	533,008	1,302,666	1,835,674
	3,832,269	2,555,826	6,388,095

	2020		
Employer contributions			
Normal	1,911,899	2,245,984	4,157,883
Deficit	1,379,107	-	1,379,107
Additional	-	23,356	23,356
	3,291,006	2,269,340	5,560,346
Employee contributions			
Normal	514,998	1,213,641	1,728,639
Additional voluntary contributions	64,400	20,712	85,112
	579,398	1,234,353	1,813,751
	3,870,404	3,503,693	7,374,097

Notes to the Financial Statements (Cont)

5. Contributions (cont)

Salary sacrifice contributions have been included within employee normal contributions.

During the year the employer disinvested a total of £980,331 from the DC section pooled investments to fund normal employer contributions for the DC section.

Total employer contributions of £3.29m per annum are being paid to the DB Section of the Scheme until 31 March 2027 in accordance with a Recovery Plan to improve the Scheme's funding position. These contributions comprise normal contributions for active DB members, the provision of death in service benefits, the expenses of administering the Scheme (including PPF levies) and deficit shortfall contributions.

6. Transfers in

	Defined Benefit Section	2021 Defined Contribution Section	Total
	£	£	£
Individual transfers in from other schemes	-	36,500	36,500
		2020	
Individual transfers in from other schemes	-	55,457	55,457

7. Other income

	Defined Benefit Section	2021 Defined Contribution Section	Total
	£	£	£
Claims on term insurance policies	49,332	91,890	141,222
		2020	
Claims on term insurance policies	33,970	79,176	113,146

8. Benefits paid or payable

	Defined Benefit Section	2021 Defined Contribution Section	Total
	£	£	£
Pensions	4,846,842	-	4,846,842
Commutations and lump sum retirement benefits	1,503,266	201,240	1,704,506
Lump sum death benefits	46,763	126,262	173,025
	6,396,871	327,502	6,724,373

Notes to the Financial Statements (Cont)

8. Benefits paid or payable (cont)

	2020		
Pensions	4,595,048	-	4,595,048
Commutations and lump sum retirement benefits	1,482,117	178,368	1,660,485
Lump sum death benefits	148,439	89,467	237,906
	6,225,604	267,835	6,493,439

9. Payments to and on account of leavers

	2021 Defined Benefit Section £	Defined Contribution Section £	Total £
Refunds to members leaving service	9,421	2,503	11,924
Individual transfers to other schemes	509,119	331,756	840,875
	518,540	334,259	852,799
	2020		
Refunds to members leaving service	-	4,099	4,099
Individual transfers to other schemes	127,069	182,952	310,021
	127,069	187,051	314,120

10. Administrative expenses

	2021 Defined Benefit Section £	Defined Contribution Section £	Total £
Administration and processing	233,414	69,851	303,265
Actuarial fees	179,284	20,601	199,885
Audit fee	12,400	12,400	24,800
Legal and other professional fees	18,070	-	18,070
PPF Levy	81,847	5,307	87,154
Miscellaneous	6,324	80	6,404
	531,339	108,239	639,578
	2020		
Administration and processing	287,349	68,034	355,383
Actuarial fees	234,570	-	234,570
Audit fee	12,100	12,100	24,200
Legal and other professional fees	38,554	22,519	61,073
PPF Levy	91,414	4,544	95,958
Miscellaneous	1,571	86	1,657
	665,558	107,283	772,841

The Scheme bears all other costs of administration. The administration fees payable to the University's HR Department were £57,869 (2020: £76,133).

Notes to the Financial Statements (Cont)

11. Other payments

	Defined Benefit Section	2021 Defined Contribution Section	Total
	£	£	£
Premiums on term insurance policies	222,861	175,968	398,829
		2020	
Premiums on term insurance policies	40,262	90,724	130,986

A policy is held with Aviva Life & Pensions UK Ltd to cover the Scheme against lump sum payments in the event of a Member's death during service.

12. Investment income

	Defined Benefit Section	2021 Defined Contribution Section	Total
	£	£	£
Income from pooled investment vehicles	8,949,600	-	8,949,600
Annuity income	65,017	-	65,017
Currency gain / (loss)	(179,571)	-	(179,571)
Interest on cash deposits	1,021	31	1,052
	8,836,067	31	8,836,098
		2020	
Income from pooled investment vehicles	19,308,040	-	19,308,040
Annuity income	61,431	478	61,909
Currency gain / (loss)	72,616	-	72,616
Interest on cash deposits	4,198	-	4,198
	19,446,285	478	19,446,763

Notes to the Financial Statements (Cont)

13. Reconciliation of investments

	Value at 31 March 2020	Purchases at cost	Sales proceeds	Change in market value	Value at 31 March 2021
	£	£	£	£	£
Defined Benefit Section					
Pooled investment vehicles	224,894,428	174,164,232	(160,116,368)	(6,554,958)	232,387,334
AVC investments	976,786	55,397	(137,979)	7,648	901,852
	225,871,214	174,219,629	(160,254,347)	(6,547,310)	233,289,186
Cash in transit	9,828,938				17,005
	235,700,152				233,306,191
Defined Contribution Section					
Pooled investment vehicles	15,698,015	4,813,518	(3,136,369)	4,159,434	21,534,598
Cash in transit	-				955
	15,698,015				21,535,553

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Scheme.

The Defined Contribution Section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting. Defined contribution assets are allocated to members and the Trustee as follows:

	2021	2020
	£	£
Members	208,13118	13,739,781
Trustee	721,480	1,958,234
	21,534,598	15,698,015

14. Investment management expenses

	Defined Benefit Section	2021 Defined Contribution Section	Total
	£	£	£
Administration, management and custody	230,577	69,596	300,173
Advisory	275,000	10,125	285,125
	505,577	79,721	585,298
		2020	
Administration, management and custody	190,789	58,331	249,120
Advisory	300,000	-	300,000
	490,789	58,331	549,120

Notes to the Financial Statements (Cont)

15. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

16. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2021	2020
	£	£
Defined Benefit Section		
Equities	47,077,988	37,559,046
Bonds	19,086,349	18,555,165
LDI	82,466,195	66,453,014
Cash	40,573,060	43,922,679
Multi-Asset	34,228,962	49,682,965
Property	8,289,941	7,052,778
Hedge funds	664,839	1,668,781
	232,387,334	224,894,428
Defined Contribution Section		
Multi-Asset	18,790,307	12,180,309
Bonds	1,560,525	2,630,974
Equities	984,188	736,931
Cash	199,578	149,801
	21,534,598	15,698,015

The Multi-Asset funds hold a variety of investments including equities, bonds, derivatives and commodities.

17. Defined Benefit Section AVC investments

The Trustee holds assets invested separately from the main Defined Benefit Section investments to secure additional benefits on a money purchase basis for those Defined Benefit Section members electing to pay Additional Voluntary Contributions. Members participating in this arrangement each receive an annual statement made up to the Scheme year end confirming the amounts held to their account and the movements in the year. The aggregate amounts of AVC investments are as follows:

	2021	2020
	£	£
Prudential Assurance Company Ltd - with-profits insurance policy	901,852	976,786

Notes to the Financial Statements (Cont)

18. Fair value determination

The fair value of financial instruments has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Scheme's investment assets have been fair valued using the above hierarchy levels as follows:

	As at 31 March 2021			
	Level 1	Level 2	Level 3	Total
Defined Benefit Section	£	£	£	£
Pooled investment vehicles	40,573,060	181,441,181	10,373,093	232,387,334
AVC investments	-	-	901,852	901,852
Cash in transit	17,005	-	-	17,005
	40,590,065	181,441,181	11,274,945	233,306,191
Defined Contribution Section				
Pooled investment vehicles	955	21,534,598	-	21,535,553
	40,591,020	202,975,779	11,274,945	254,841,744

	As at 31 March 2020			
	Level 1	Level 2	Level 3	Total
Defined Benefit Section	£	£	£	£
Pooled investment vehicles	43,922,679	172,599,432	8,372,317	224,894,428
AVC investments	-	-	976,786	976,786
Cash in transit	9,828,938	-	-	9,828,938
	53,751,617	172,599,432	9,349,103	235,700,152
Defined Contribution Section				
Pooled investment vehicles	-	15,698,015	-	15,698,015
	53,751,617	188,297,447	9,349,103	251,398,167

Notes to the Financial Statements (Cont)

19. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives.

The Trustee's risk management policy is documented in the Statement of Investment Principles. These investment objectives and risk limits are implemented through the agreements in place with the Scheme's DCIO and monitored by the Trustee through its reviews of the investment portfolio.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

Defined Benefit Section

(i) Credit risk

The Scheme is subject to credit risk in three ways:

1. By investing in pooled investment vehicles, the Scheme is directly exposed to credit risk in relation to units (or equivalent) held in the pooled investment vehicles
2. The Scheme is also indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles, such as bonds and swaps.
3. By holding cash balances in a bank account.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate, and diversification of investments amongst a number of pooled arrangements.

A summary of the legal structure of the pooled investment vehicles held by the Scheme is shown below:

Legal structure	£m
Alternative Investment Fund Manager (AIFMD)	0.1
Open-ended investment company (OEIC)	10.3
Société d'investissement à Capital Variable (SICAV)	6.5
Irish Collective Asset-management Vehicle (ICAV)	87.6
Qualifying Investor Alternative Investment Fund (QIAIF)	24.0
Unit Linked Insurance Contracts	40.5
Investment Company with Variable Capital (ICVC)	6.9
Trust Company	0.0
Undertakings for the Collective Investment in Transferable Securities (UCITs)	40.5
Common Contractual Funds (CCF)	16.0
Total	**232.4**

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

There are specific limits in the Fiduciary Management Agreement with Towers Watson Ltd on maximum allocations to pooled vehicles:

- A maximum of 25% of assets in any fund investing primarily in cash, investment grade bonds and liability hedging instruments
- A maximum of 20% of assets in any other collective investment schemes.

As DCIO, Towers Watson Ltd carries out due diligence checks on the appointment of new pooled investment managers and monitors incumbent managers on an ongoing basis, in particular where there are any changes to the regulatory and operating environment of the pooled manager.

Credit risk arising on bonds within a pooled investment vehicle is mitigated by investing predominantly in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Scheme also invests in non-investment grade bond pooled investment vehicles. This risk is managed by restrictions set in underlying manager documentation which aims to diversify the portfolio to minimise the impact of default by any one issuer.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds pooled investment vehicles that invest in government bonds, OTC derivative contracts (e.g. Repurchase agreements, Interest rate swaps, inflation swaps and options contracts) and cash. These funds fulfil a specific purpose in the Scheme's investment strategy, which is either to match the characteristics of the Scheme's liabilities (Liability Driven Investments) or provide the Scheme with protection in a downside market event (Downside Risk Hedging). These investments are also discussed under interest rate risk.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by the manager ensuring there is sufficient collateral arrangements in place and diversification of counterparties.

Cash is held within financial institutions which are at least investment grade credit rated.

The DCIO is not permitted to participate in any securities lending on behalf of the Scheme except where lending takes place inside a pooled fund or through repurchase agreements as discussed above.

A summary of the investments subject to direct credit risk is shown in the table below:

Asset category	Investment grade	Un-rated	Total
Return - seeking	(£m)	(£m)	(£m)
Pooled investment vehicles	-	109.9	109.9
Liability matching	(£m)	(£m)	(£m)
Pooled investment vehicles	-	82.0	82.0
Cash	40.6	-	40.6
Total Scheme	**40.6**	**191.9**	**232.5**

A summary of the investments subject to indirect credit risk is shown in the table below:

Asset category	Investment grade	Non-investment grade	Total
Return - seeking	(£m)	(£m)	(£m)
Pooled investment vehicles	5.1	20.7	25.7
Liability matching	(£m)	(£m)	(£m)
Pooled investment vehicles	82.0	-	82.0
Cash	40.6	-	40.6
Total Scheme	**127.7**	**20.7**	**148.3**

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets via pooled investment vehicles. The Trustee limits overseas currency exposure by imposing a minimum allocation to Sterling of 50% within the Fiduciary Management Agreement.

(iii) Interest rate risk

The Scheme is subject to interest rate risk through its credit holdings, the Downside Risk Hedging and on the Liability Driven Investments (LDI) which comprises government bonds, cash, interest rate swaps, inflation swaps and repurchase agreements held in pooled vehicles. The purpose of the Scheme's LDI investments is to match the interest rate (and inflation) sensitivity of the Scheme's liabilities. Therefore when considering the Scheme's liabilities, these investments are risk reducing.

As at 31 March 2021, the capital allocated to the liability matching portfolio represented c.35% of the total investment portfolio based on the fair value of the investments.

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes indirect investment in properties and other alternative investments via pooled vehicles. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

Asset Class	Credit Risk		Market Risk		
	Indirect	Direct	Foreign exchange risk	Interest rate risk	Other price risk
Equities	-	✔	✔	-	✔
Credit	✔	✔	✔	✔	-
Property	-	✔	-	-	✔
Listed infrastructure	-	✔	✔	-	✔
Diversifying strategies	-	✔	✔	-	✔
Liability Driven Investments (High quality bonds and cash equivalents)	✔	✔	-	✔	-
Cash	✔	✔	-	-	-

Defined Contribution Section

Investment strategy

The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their Employer, will provide a retirement amount. The SIP outlines the investment objectives and strategy for the Defined Contribution (DC) assets of the Scheme.

The investment funds offered to members are white label funds provided by the investment provider as follows:

- Equity
- Bonds
- Cash
- Multi-assets

The Trustee has an investment management agreement in place with investment providers that sets out guidelines for the underlying investments held by the funds. The day to day management of the funds is the responsibility of the investment provider, including the direct management of credit and market risks. The investment provider may then itself delegate that responsibility to other providers. The Trustee monitors the underlying risks by quarterly investment reviews of the investment provider.

(i) Credit risk

The DC Section is exposed to credit risk through its holding in units of the funds provided by Zurich Assurance Limited. The investment provider is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the credit worthiness of the investment provider from time to time. The investment providers invest all the Scheme's funds in its own investment unit linked funds. In the event of default by the investment provider the Scheme is protected by the Financial Services Compensation Scheme. The DC

Notes to the Financial Statements (Cont)

19. Investment risk disclosures (Cont)

section is also subject to indirect credit and market risk arising from the underlying investments held in the white label funds. Member level risk exposures will be dependent on the funds invested in by members. At the Scheme year-end, bond and cash funds were exposed to underlying credit risk. The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade.

(ii) Market risk

The Scheme's DC Section is subject to indirect interest rate and other price risk arising from the underlying financial instruments held in the funds managed by the investment provider.

- The equity fund is exposed to other price risk.
- The bond fund is exposed to other price risk.
- The cash fund is exposed to other price risk.
- The multi asset fund is exposed to interest rate and other price risk.

20. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year-end:

	2021		2020	
	£	%	£	%
Insight Liquidity Fund	38,858,527	15.1	38,095,000	15.1
Towers Watson LDI Solutions Plus ICAV	35,934,819	14.0	7,977,251	3.2
Insight LDI Solutions Plus Long Fixed Fund	23,577,996	9.2	42,093,321	16.7
Insight LDI Solutions Plus Short Real Fund	19,365,767	7.6	15,028,038	5.9
GPDK Robeco Global Sustainable	17,440,543	6.8	15,466,936	6.1
Towers Watson Secure Income Fund	15,997,123	6.2	16,111,023	6.4
Towers Watson Diversifying Strategy Fund USD	12,090,834	4.7	17,662,060	7.0
Towers Watson Diversifying Strategy Fund GBP	11,877,549	4.6	24,138,655	9.6

21. Current assets

	2021		
	Defined Benefit Section	Defined Contribution Section	Total
	£	£	£
Contributions due from employer in respect of:			
Employers	274,167	170,436	444,603
Employees	37,704	136,895	174,599
Other debtors	8,581	-	8,581
Prepayments	6,542	-	6,542
Cash balances	1,241,769	15,713	1,257,482
	1,568,763	323,044	1,891,807

Notes to the Financial Statements (Cont)

21. Current assets (cont)

		2020	
Contributions due from employer in respect of:			
Employers	274,522	197,866	472,388
Employees	41,613	110,659	152,272
Other debtors	8,581	-	8,581
Due from DC Section	7,564	-	7,564
Cash balances	973,868	30,986	1,004,854
	1,306,148	339,511	1,645,659

Contributions due to the Scheme at the year-end have been paid subsequent to the year-end in accordance with the Schedule of Contributions.

Included in the DC Section bank balance is £1,851 (2020: £26,291) which is not allocated to members.

22. Current liabilities

	Defined Benefit Section	2021 Defined Contribution Section	Total
	£	£	£
Unpaid benefits	(53,554)	(13,862)	(67,416)
Accrued expenses	(90,309)	(13,200)	(103,509)
Other creditors	(22)	-	(22)
	(143,885)	(27,062)	(170,947)
		2020	
Unpaid benefits	(121,482)	(4,696)	(126,178)
Accrued expenses	(143,796)	(19,287)	(163,083)
Other creditors	(5,123)	-	(5,123)
	(270,401)	(23,983)	(294,384)

23. Related party transactions

The Scheme has received contributions in respect of Trustee Directors (Quentin Compton-Bishop & Jennifer Davies) who are contributing Members of the Scheme. These transactions are made in accordance with the Scheme Rules.

Transactions with related parties of the Scheme have been disclosed in the Annual Report as follows:

- Contributions receivable from the Employer are disclosed in note 5.
- The Scheme is administered by the Employer's HR department and the fees payable are included in note 10 under Administration expenses.

24. Employer-related investments

There were no direct employer-related investments at the year-end.

Contributions are normally received by the Trustee in the subsequent month to that in which they are due. Under the accruals basis of accounting, these contributions are therefore shown as outstanding. However, as the contributions were received in line with the Schedule of Contributions after the year end, they do not become employer-related investments.

Notes to the Financial Statements (Cont)

25. GMP equalisation

As explained on page 7 in the Trustee's Report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes.

The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this at a future meeting and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

On 20 November 2020, the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. This follows from the original judgment in October 2018 which confirmed that schemes need to equalise pensions for the effect of unequal GMPs between males and females. This latest judgment confirms that Defined Benefit schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee will be considering this at a future meeting and decisions will be made as to the next steps. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these accounts, it is not possible to estimate the value of any such adjustments at this time.

The Trustee has formed a Data and GMP sub-committee and held meetings with its advisers to consider this further but given the complexity of the topic it is still reviewing the data and options available. A Project Manager has been appointed to provide assistance to the Trustee.

26. COVID-19

There has been significant volatility in markets as a result of the Coronavirus (COVID-19) pandemic. The Trustee considers the outbreak to be a non-adjusting post net asset statement event and as the situation is fluid and unpredictable, an estimate of the precise financial effect is not possible at the date of issue of the financial statements. The Trustee is monitoring the situation closely and liaising regularly with its investment adviser to consider any necessary actions to respond to the emerging issues. The Trustee believes the Scheme's investment strategy is already significantly de-risked and does not expect there to have been a material change to the Scheme's funding position as a result of COVID-19. The funding level of the Scheme is kept under review by the Scheme's investment advisers and Scheme Actuary.

Certificate of Adequacy of Contributions

Actuarial Certification of Schedule of Contributions

Name of Scheme	**The University of Warwick Pension Scheme**
Effective date of valuation	**31 March 2019**

Adequacy of rates of contributions

I hereby certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have been expected on 31 March 2019 to be met by the end of the period specified in the recovery plan dated 5 June 2020

Adherence to Statement of Funding Principles

I hereby certify that, in my opinion, the Schedule of Contributions dated 5 June 2020 is consistent with the Statement of Funding Principles dated 5 June 2020.

The certification of the adequacy of the rates of contributions for the purpose of securing that the Statutory Funding Objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were wound up.

[redacted]

Lloyd Cleaver
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson company

The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

Schedule of Contributions

Schedule of Contributions

Name of Scheme **The University of Warwick Pension Scheme**

In accordance with Section 227 of the Pensions Act 2004 UPS Pension Trustee Limited ("the Trustee") has prepared the following Schedule of Contributions for The University of Warwick Pension Scheme ("the Scheme"), after obtaining the advice of Lloyd Cleaver, the Scheme Actuary. The Trustee has discussed and agreed this Schedule of Contributions with the University of Warwick, on behalf of all participating employers (collectively referred to as "the University").

Contributions to be paid towards the Scheme from 1 June 2020 to 31 March 2027

Member Contributions – DB Section

Other than voluntary contributions, contributions of 5.5% per annum, expressed as a percentage of Pensionable Earnings, are payable towards the Scheme by, or on behalf of, active members.

University Contributions – DB Section

The Trustee and the University have agreed that overall flat rate contributions of £3.29m per annum are payable towards the Scheme by the University in monthly instalments, which comprises contributions in respect of future accrual of benefits of active DB Section members, the provision of death-in-service benefits, the expenses of administering the Scheme (including PPF levies) and deficit shortfall contributions.

In respect of future accrual of benefits of active DB Section members, the provision of death-in-service benefits and the expenses of administering the Scheme (including PPF levies), regular contributions of 25.6% per annum, expressed as a percentage of Pensionable Earnings, are included within the overall flat rate contribution figure of £3.29m per annum set out above.

In accordance with the Recovery Plan dated 5 June 2020, the remaining contribution within the overall flat rate contribution figure of £3.29m per annum (after taking into account the regular contributions of 25.6% per annum, expressed as a percentage of Pensionable Earnings, set out above) will be used to eliminate the funding deficit.

Member and University Contributions – Heritage DC Section

Active members of the Heritage DC Section can choose from Compulsory Contribution rates of 3%, 4% or 5% of Pensionable Earnings.

The level of University contributions will depend on the rate of Compulsory Contributions the member chooses to pay as set out in the table below:

Member Compulsory Contribution rate (as a % of Pensionable Earnings)	University contribution rate (as a % of Pensionable Earnings)
3%	6%
4%	8%
5%	10%

In addition to the Compulsory Contributions set out above, a member may, with the Trustee's agreement, also pay additional voluntary contributions (AVCs). There are no University matching contributions in respect of any AVCs. AVCs are those member only contributions paid over the maximum Compulsory Contribution of 5%.

Schedule of Contributions (Cont)

Member and University Contributions – Enterprise DC Section

Active members of the Enterprise DC Section must contribute at the rate of 5% of Qualifying Earnings.

The level of University contributions will be 3% of Qualifying Earnings.

In addition to the Compulsory Contributions set out above, a member may, with the Trustee's agreement, also pay AVCs. There are no University matching contributions in respect of any AVCs paid.

Reserve Account

The Trustee maintains a Reserve Account which, subject to adequacy, is available to be applied at the direction of the Principal Employer. The value of the Reserve Account shall never be less than zero. At this time, in line with the Letter of Direction dated 1 December 2017, the Principal Employer directs that the Reserve Account be used to meet DC Section expenses including the provision of life assurance and incapacity benefits.

In line with the Letter of Direction dated 1 December 2017, contributions to the Reserve Account in respect of the Heritage DC Section were set to nil with effect from 1 January 2018, with an annual review by University management to set appropriate future contribution levels.

In line with the Letter of Direction dated 1 December 2017, contributions to the Reserve Account in respect of the Enterprise DC Section were set to 0.5% of Pensionable Earnings with effect from 1 January 2018, with an annual review by University management to set appropriate future contribution levels.

Paying contributions

All contributions set out within this schedule are payable monthly and are to be made on or before the 19th of the month immediately following the month to which they relate.

For members of any section participating in Pensions Salary Sacrifice, the member's contributions will be paid by way of salary sacrifice in accordance with the terms of Pensions Salary Sacrifice. The total University contribution rate for these members will be the sum of the member's applicable contribution rate and the respective University contribution rate.

Schedule of Contributions (Cont)

Administration expenses

Administration expenses are met from the Scheme's assets. The Technical Provisions and contribution rates include an allowance for the expenses borne by the Scheme, including allowance for PPF levies.

This Schedule of Contributions has been agreed by the Trustee of The University of Warwick Pension Scheme:

Signed on behalf of the Trustee of The University of Warwick Pension Scheme

[redacted]

Position: Trustee

Date: 5 June 2020

Position: Trustee Chairman

Date: 5 June 2020

This Schedule of Contributions has been agreed by the University:

[redacted]

Position: Finance Director - University of Warwick

Date: 5 June 2020

Implementation Statements (forming part of the Trustee's Report)

DB Section

The University of Warwick Pension Scheme –
DB Section

Annual Implementation Statement – Scheme year ending 31 March 2021

Implementation Statements (Cont)

DB Section (Cont)

Table of Contents

Implementation Statement (Cont)

DB Section (Cont)

Section 1: Introduction and summary

This document is the Defined Benefit ("DB") Annual Implementation Statement ("the Statement"), prepared by the Trustee of The University of Warwick Pension Scheme (the "Scheme"), corresponding to the Scheme's DB Statement of Investment Principles ("SIP"), and covering the year from 1 April 2020 to 31 March 2021 ("the Scheme Year").

The purpose of this Statement is to:

- Detail any reviews of the SIP the Trustee undertook over the Scheme Year, including the reasons for any changes made to the SIP over the year – see Section 2.

- Set out the extent to which, in the opinion of the Trustee, the Scheme's SIP was followed during the Scheme Year – see Section 3. **In summary, the Trustee considers that all the SIP policies and principles were adhered to during the year.**

- Describe the voting behaviour by, or on behalf of, the Trustee over the Scheme Year – see Section 4.

A copy of this Statement will be made available on the following website.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

To ensure that investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities to the Investment Sub Committee ("ISC") and the Delegated Chief Investment Officer ("DCIO"). These responsibilities are set out in more detail in the SIP, but are mainly:

- **ISC**: Assisting the Trustee in developing an appropriate overall investment strategy (return target and risk budget) and the ongoing monitoring of the investment strategy and the activity and performance of the DCIO.

- **DCIO:** The Trustee has appointed a DCIO, Towers Watson Limited, to manage the Scheme's assets. The Trustee has set the DCIO specific objectives and parameters within a bespoke Fiduciary Management Agreement, including the Scheme's investment objectives and asset allocation limits. The Trustee believes in diversification and the Scheme's portfolio is built using a diverse range of return-seeking assets and a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme's liabilities to inflation and interest rates. The DCIO is responsible for implementing the Trustee's agreed investment strategy, determining the asset allocation, selecting and de-selecting investment managers and reflecting Sustainable Investment ("SI") considerations throughout the investment process. The DCIO considers the policies and principles set out in the Trustee's SIP in addition to the specific Fiduciary Management investment guidelines set by the Trustee.

Implementation Statement (Cont)

DB Section (Cont)

Section 2: SIP reviews/changes over the year

The version of the SIP in place at the start of the Scheme Year was dated March 2020.

The SIP was updated once during the Scheme year, as at September 2020, in relation to new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2020 which requires trustees to set out their policy in relation to their arrangements with asset managers including:

- how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees' policies;
- how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
- how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustees' policies;
- how the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
- the duration of the arrangement with the asset manager.

For the purpose of assessing how the Scheme's SIP has been followed, the remainder of this statement specifically focuses on the SIP agreed in September 2020.

Implementation Statement (Cont)

DB Section (Cont)

Section 3: Adherence to the SIP

Below sets out the actions the Trustee has taken over the Scheme Year to adhere to the policies in the SIP and the ongoing monitoring of the policies in the SIP.

Section 1: Introduction

This section provides the relevant introductory and background comments rather than setting out any policies.

Section 2: Division of responsibilities

This section primarily sets out the investment governance structure and responsibilities of the key parties in relation to the investment strategy and ongoing management of the Scheme's investments. Over the Scheme Year the Trustee:

- Held 3 ISC meetings - the topics covered include:
  - Review of the investment strategy in conjunction with the 2019 actuarial valuation results
  - Monitoring of Scheme performance and exposure to COVID related risks
  - Assessment of the combined services provided by the DCIO and Scheme Actuary
  - In depth sustainable investment review

- Held 4 Trustee meetings and received updates from the DCIO and Scheme Actuary on the investment performance, progression of the Scheme's funding position and the outcomes from the ISC meetings.

- Received training on the following topics:
  - Sustainable investment
  - New SIP regulations
  - Integrated Risk Management (IRM) frameworks and implementation
  - The Pensions Regulator annual DB funding statement
  - Consultation on the revised DB funding code of practice
  - GMP equalisation

- Reviewed the objectives it had set the DCIO and concluded they remained appropriate.

- Evaluated the performance of the DCIO against the objectives set and its broader performance as DCIO and concluded that it had met all of the objectives and had performed to a satisfactory standard.

The DCIO monitored the Scheme's underlying investment managers and Global Custodian and Performance Measurer on an ongoing basis.

Section 3: Long-term objectives and investment strategy

Over the Scheme Year, the Trustee carried out a number of activities including those set out below.

Implementation Statement (Cont)

DB Section (Cont)

Investment strategy review and actuarial valuation

Following the 2019 March triennial actuarial valuation, the Trustee reviewed the investment strategy in early 2020. The ISC had agreed in principle to a new Journey Plan including a reduced return target of gilts+1.5% pa, subject to the Trustee ratifying the decision. However, in March 2020 after quick and severe market falls from the economic shutdown due to COVID-19, the Scheme's funding position had worsened. As such, the Trustee agreed to adopt a new Journey Plan based on continuing to target a return level of gilts+1.8% pa for the time being. Subsequently the market rebounded, and in May 2020 the Scheme was able to de-risk to the gilts+1.5% pa target and adopt the originally intended Journey Plan.

The Trustee also adopted a revised Dynamic Risk Management Framework whereby the Scheme's funding position is monitored relative to agreed upside and downside triggers which are used to indicate if the Scheme is sufficiently ahead of or behind the Journey Plan to warrant reviewing or changing the Scheme's investment strategy.

The Trustee's investment strategy seeks to outperform a benchmark based on a projection of the Scheme's liability cashflows. The liability benchmark is updated following each actuarial valuation, and when there is any significant change to the structure of the Scheme's liabilities. The benchmark was updated in May 2020.

Ongoing monitoring of the Scheme's investment strategy and asset allocation

- On a quarterly basis, the Trustee reviewed the Scheme's portfolio and performance of the DCIO via quarterly investment reports and updates from the DCIO covering:
  - Commentary on performance and portfolio changes
  - Performance of the underlying assets
  - Funding position of the Scheme
  - Risk and return statistics of the portfolio
  - Asset allocation
  - The DCIO's adherence with the investment guidelines set by the Trustee (No breaches were reported during the year).
- The DCIO monitored and reported on the Scheme's investments and managers on a regular basis to ensure that the investment strategy remained consistent with the Scheme's objectives.
- The DCIO monitored and reported on manager performance relative to an appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available. In addition, the DCIO assessed the performance of the Scheme's investment managers relative to peers and in the context of the prevailing market environment.
- On a daily basis, using its proprietary software, Asset Liability Suite, the DCIO tracked an estimate of the Scheme's funding level relative to the Journey Plan and upside and downside triggers. No triggers were hit during the Scheme Year.
- The Trustee believes in diversification and the Scheme's portfolio is built using a diverse range of return-seeking assets and a dedicated allocation to liability driven investments which seek to match the sensitivity of the Scheme's liabilities to inflation and interest rates. Throughout the year, implementation of this strategy was delegated to the DCIO who managed the balance of these investments.
- The DCIO acted within guidelines set by the Trustee including asset allocation, manager and geographical diversification, and foreign currency exposure. The guidelines were updated in June 2020 following the agreed de-risk.

Implementation Statement (Cont)

DB Section (Cont)

Section 4: Other investment policies

As set out above, the Trustee has delegated responsibility to the DCIO (within agreed investment guidelines and in accordance with the Trustee's SIP) to implement the Trustee's agreed investment strategy, including making certain decisions about investments in compliance with Sections 34 and 36 of the Pensions Act 1995. As such the DCIO is also responsible for:

- Choosing investments – including the selection and deselection of investments, and the ongoing management of relationships with asset managers.
- Sustainable and responsible investment – i.e. how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio in terms of both capital allocation and stewardship.
- Managing portfolio liquidity relative to the Scheme's requirements.

Choosing investments

- The DCIO considered past performance as one of several inputs into the assessment of an investment manager, which relies predominantly on research views based on a range of qualitative and quantitative factors, including the consideration of SI/ESG factors as outlined below. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short term performance alone. Consistent with the Scheme's long investment time horizon, the Trustee seeks to be a long-term investor and the DCIO has appointed managers (in the majority of cases) with the expectation of a long-term relationship. This in turn allows investment managers to take a longer-term approach to investing, including engagement with issuers of debt and equity, with a view to improving investment outcomes over the long term.
- As part of its manager selection and ongoing oversight processes, the DCIO considers the level of fees and the type of fee structures used by each manager (including a consideration of the alignment of interests created by certain fee structures). The DCIO considers a number of factors including the asset class / investment strategy, the way in which the strategy is implemented (e.g. active management or passive benchmark tracking), and fee benchmarking relative to peers. The majority of the Scheme's investment managers were paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The exceptions to this were in Secure Income Assets (SIAs) where some of the underlying managers' remuneration was partly based on performance over an appropriate time horizon. The use of performance fees for these types of investments (where manager skill is a key driver of expected returns) is quite common. The Trustee and DCIO recognise the incentives created by such fee structures and are comfortable with them given the highly active nature of these individual strategies, and in the context of the Scheme's wider investment portfolio where the aggregate use of these fee structures is limited.
- During the Scheme Year, the DCIO reviewed and reported to the Trustee on the total fees and costs incurred by the Scheme through its investments. As part of its review and reporting on the Scheme's costs, the DCIO also reported to the Trustee on the costs associated with portfolio turnover. The Trustee and DCIO were comfortable that portfolio costs, including those associated with turnover, were consistent with expectations relative to the underlying investments.
- The DCIO's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the DCIO engages with investment managers to improve their processes. Some examples of the impact these policies have had on the portfolio are disclosed in the next section.

Implementation Statement (Cont)

DB Section (Cont)

Responsible investing, stewardship and sustainability

- In January 2021, the ISC carried out a detailed review of the DCIO's approach to Environmental, Social and Governance ("ESG") issues and how these are being incorporated by the DCIO into the portfolio. The review included
  - A review of the Trustee's current SI policy to ensure it remains appropriate
  - The importance of sustainable investing and integrating ESG factors
  - A review of the use of EOS at Federated Hermes ("EOS") to provide public policy engagement services
  - How the DCIO integrates sustainability and ESG into its ongoing process, including manager selection and research, portfolio construction and asset research
  - An assessment of the underlying investment managers and how sustainability and ESG factors are applied in the process for the managing of the assets. All of the Scheme's applicable mandates were rated either positive or neutral by the DCIO on ESG and engagement metrics
  - Specific portfolio examples that have a focus on ESG, including:
    - Equity assets that will over/underweight companies that are leaders/laggards respectively from an ESG perspective
    - Screening and discretionary ESG layers to the Scheme's Chinese equity mandate
    - A greenhouse co-investment that utilises waste heat from sewage treatment
    - Social infrastructure assets benefitting local societies
    - An explicit ESG factor in the Scheme's equity market neutral long-short equity strategy
  - A preview of the next evolution of SI reporting that the DCIO is preparing to go live later in the year, which will aid the Trustee in evaluating the portfolio's SI related risks, including climate-related risks in line with the recommendations of the Taskforce of Climate-related Financial Disclosures.
- The in-depth review helped the ISC identify areas within SI and the investment approach taken by the DCIO to explore in more detail at a subsequent meeting which took place after the Scheme Year end. The follow up meeting explored the implications of the DCIO's SI policies on the portfolio and how SI considerations are taken into account when investing in certain geographies. The ISC concluded that the DCIO's policies and approach were aligned with the Trustee's, and that this should be monitored on an ongoing basis to ensure continued alignment.

- Over the Scheme Year the Trustee did not make any investment decisions based on non-financial matters.

- The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in the annual implementation statement, with this document representing the first of this kind. This document is a statutory report and will be produced and published on an annual basis alongside the Scheme's Annual Reports and Accounts.

Liquidity and realisation of investments

- As part of the investment guidelines, the Trustee has also set liquidity limits that the DCIO must adhere to. The Trustee has a policy to ensure that the Scheme's cashflow requirements can be readily met without disrupting its investments.

- Throughout the Scheme Year, the DCIO regularly monitored the level of cash in the Scheme, and cashflows into/out of the Scheme to ensure that there were sufficient assets in readily realisable investments to meet the Scheme's requirements without disrupting its investments.

Implementation Statement (Cont)

DB Section (Cont)

- The Trustee monitored the liquidity of the Scheme's portfolio and cashflows into and out of the Scheme on a quarterly basis.
- The DCIO can make adjustments to the Scheme's allocation to cash when necessary within guidelines set by the Trustee.

Section 5: Risk management

Rather than setting out any policies, this section provides an overview of the broad range of risks recognised by the Trustee, risks which could ultimately lead to the Scheme accumulating insufficient assets to finance members benefits.

The Trustee has put in place an Integrated Risk Management Framework which seeks to identify, manage and monitor risks which could negatively impact the Scheme's ability to meet its funding objectives. This framework incorporates funding, covenant and investment factors and is ultimately used to help inform the Scheme's investment strategy. In relation to investment factors, the Trustee has identified a number of risks which it seeks to manage and monitor, in conjunction with the DCIO. Solvency and mismatch risk, investment manager risk, liquidity risk, and interest rate and inflation risks have been discussed above in the relevant sections on investment strategy and investment managers. The DCIO reported to the Trustee on each of these risks in quarterly meeting papers which were discussed at the Trustee's quarterly meetings.

The Trustee received an integrated investment and actuarial funding update on a quarterly basis at the Trustee meetings. It also received regular updates from the Sponsor to assess the level of ability and willingness of the Sponsor to support the continuation of contributions to the Scheme. The Sponsor covenant was also assessed as part of the actuarial valuation.

Currency risk was managed through the use of currency hedged share classes for relevant foreign currency denominated investments by the DCIO, managing the overall foreign currency exposure in line with the investment guidelines set by the Trustee. Throughout the year, the DCIO left a small proportion of the Scheme's foreign currency exposure unhedged for reasons of diversification and return generation. The DCIO monitored the Scheme's unhedged exposures on a regular basis and reported this to the Trustee as part of its quarterly meeting papers.

The Scheme's custodial risk from the custodian becoming insolvent was addressed by investing in a diversified range of reputable pooled funds which have been researched from an Operational Due Diligence perspective and where the Scheme's assets are held by separate custodians appointed by the managers. In addition, any uninvested cash was swept into a pooled cash fund at the custodian where the assets are held off the custodian's balance sheet. In addition, the DCIO's specialist research team reviews the custodian on a regular basis.

Political risk arising from political regimes and actions, particularly in less established/ more opaque markets, was managed throughout the year by maintaining a well-diversified portfolio by geography and managed within geographical constraints specified in the investment guidelines. The DCIO considers political risk when determining whether to allocate capital to an investment and also in determining the relative sizing of an investment, as was the case when determining the allocation route and sizing made to Chinese equities in the portfolio.

Implementation Statement (Cont)

DB Section (Cont)

Section 4: Voting and engagement

The Trustee has delegated the day to day ESG integration and stewardship activities (including voting and engagement) to its investment managers. The Trustee has not set any specific guidelines around manager voting.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was requested from the Scheme's equity and listed real assets managers (as here there is a right to vote as an ultimate owner of a stock) across the following five pooled funds:

- Adaptive capped ESG equity (LGIM)
- Multi-Factor equity (LGIM)
- Listed global prime property (LGIM)
- Listed infrastructure (LGIM)
- China A shares equity (FSSA)

Legal & General Investment Management ("LGIM")

The DCIO's view is that LGIM continues to demonstrate good / leading practice vs. peers, in particular in their willingness to take visible stances on topics they believe are important. This is supported by an effective approach to conflict management, high transparency, and effective communications. The DCIO continues to engage with LGIM on the level of stewardship team resourcing, in particular given breadth / depth of coverage and rapid growth in AUM, as well as pushing for better / more effective fixed income engagement.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The LGIM Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions

To ensure LGIM's proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what the DCIO considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure votes are fully and effectively executed in accordance with LGIM's voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

FSSA Investment Managers ("FSSA")

Corporate engagement and asset stewardship are a key part of the investment process for FSSA and has been a key part of the investment process across all of its investment strategies. The investment team's long-term investment horizon, approach of investing in companies with strong governance structures and history and

Implementation Statement (Cont)

DB Section (Cont)

experience of investing in local markets, supports that they are well-equipped to engage with company management with a view to improving outcomes for minority shareholders. The DCIO views FSSA's approach to SI as good.

FSSA uses Glass Lewis as its proxy advisor. The Head of each asset class or their authorised signatory is responsible for ensuring that all company resolutions are reviewed such that an appropriate and consistent recommendation is made in line with the corporate governance guidelines and principles as outlined in the Proxy Voting policy. Once the proxy voting intentions have been confirmed, they must communicate the decision to the Company Engagement team in an agreed format by the pre-advised cut-off. FSSA will only vote in the best interests of its investors.

Manager voting data

The Trustee understands the importance of carrying out periodic reviews of the voting information and engagement policies of its investment managers to ensure they align with its own policies and principles. The table below provides a summary of the voting activity for the Scheme's holdings over the year.

	Votable meetings	Votable Resolutions	% of votable resolutions voted on	% of votes with management	% votes against management	% of votes abstained	% of resolutions voted contrary to proxy adviser
Adaptive capped ESG equity (LGIM)	3,523	40,566	100.0	81.5	17.9	0.6	11.1
Multi-Factor equity (LGIM)	2,577	30,447	100.0	81.9	17.7	0.4	11.3
Listed infrastructure (LGIM)	91	1,158	100.0	85.1	14.9	0.0	11.1
Listed global prime property (LGIM)	111	1,223	100.0	84.1	15.7	0.2	10.6
China A shares equity (FSSA)	108	956	100.0	99.0	1.0	0.0	13.0

Implementation Statement (Cont)

DB Section (Cont)

Significant Votes

The tables below give a snapshot of significant votes for the year to 31 March 2021:

Company name	**International Consolidated Airlines Group**
Date of vote	07-Sep-20
Summary of the resolution	Resolution 8: Approve Remuneration Report was proposed at the company's annual shareholder meeting held on 7 September 2020.
How LGIM voted	LGIM voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model. At the end of March 2020, LGIM addressed a private letter to the company to state their support during the pandemic and also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. On the capital allocation front, the company decided to withdraw its dividend for 2020 and sought shareholder approval for a rights issue of €2.75 billion at its 2020 AGM in order to strengthen its balance sheet. The remuneration report for the financial year to 31 December 2019 was also submitted to a shareholder vote. LGIM were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, LGIM have been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He started his new role in January 2021.
Outcome of the vote	Passed. 28.4% of shareholders opposed the remuneration report.
Implications of the outcome e.g lessons learned and likely future steps in response to the outcome	LGIM will continue to engage closely with the renewed board.
The criteria by which LGIM have assessed this vote to be "most significant"	LGIM considers this vote significant as it illustrates the importance for investors of monitoring investee companies' responses to the COVID crisis.

Implementation Statement (Cont)

DB Section (Cont)

Company name	**Barclays**
Date of vote	07-May-20
Summary of the resolution	Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution
How LGIM voted	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM have said they are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.
Outcome of the vote	Resolution 29 – Passed. Supported by 99.9% of shareholders Resolution 30 – Did not pass. Supported by 23.9% of shareholders (source: Company website)
Implications of the outcome e.g lessons learned and likely future steps in response to the outcome	LGIM say their focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. LGIM plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.
The criteria by which LGIM have assessed this vote to be "most significant"	LGIM noted significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM and thank their clients for their patience and understanding while they undertook sensitive discussions and negotiations in private. LGIM consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as their clients hence the request for executives' post-exit shareholding guidelines to be set.

Implementation Statement (Cont)

DB Section (Cont)

Company name	**Great Wall Motor**
Date of vote	25-May-20
Summary of the resolution	Amendments to Articles of Association
How FSSA voted	FSSA voted against the resolution.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	The shortened notice period as it was deemed shareholders would not be given enough time to consider items before general meetings under the proposed notice period.
Outcome of the vote	The vote was passed.
Implications of the outcome e.g lessons learned and likely future steps in response to the outcome	FSSA are stringent in their voting of governance matters especially. Small matters count, and FSSA feel there is always scope for their Chinese portfolio companies to become even better over time hence they will continue to push on this front. FSSA intend on communicating/engaging more with companies in future meetings on areas for improvement and on items they have voted against at AGMs.
The criteria by which FSSA have assessed this vote to be "most significant"	FSSA noted this a significant vote as it was against management's recommendation.

Industry wide / public policy engagement

In addition to the above, the DCIO has partnered with EOS to undertake public policy engagement on behalf of its clients (including the Trustee).

This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The DCIO represents client policies/sentiment to EOS via the Client Advisory Council, of which WTW are currently the chair.

Engagement activities by EOS on public policy over the year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Working closely with the Principles for Responsible Investment ('PRI'), including leading the engagement with Vale (a Brazilian mining company) on the tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;

Implementation Statement (Cont)

DB Section (Cont)

- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The DCIO is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

Implementation Statement (Cont)

DC Section

Section 1: Introduction

This Implementation Statement has been prepared by UPS Pension Trustee Limited ("the Trustee") and relates to the defined contribution (DC) section ("the DC Section") of The University of Warwick Pension Scheme ("the Scheme"). It covers the Scheme year 1 April 2020 to 31 March 2021 and provides information on:

- Any reviews of the Scheme's Statement of Investment Principles ("the SIP") undertaken by the Trustee and any changes made to the DC Section of the SIP over the Scheme year as a result of such reviews.
- The extent to which, in the opinion of the Trustee, the DC Section of the Scheme's SIP has been followed during the year.
- A summary of the voting and engagement activity undertaken by the DC Section's pooled fund managers over the Scheme year.

A copy of this Implementation Statement will be made available on the following website:

https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups/

Delegation of responsibilities

To ensure that decisions on implementing the investment policies set out in the SIP are taken by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates certain responsibilities to the Investment Sub Committee ("ISC") and, in respect of the DC Section, its bundled pension provider Scottish Widows.

These responsibilities are set out in more detail in the SIP, but are mainly:

- **ISC:** assisting the Trustee with developing an appropriate investment strategy for the DC Section and the ongoing monitoring of the investment strategy as well as the activity and performance of Scottish Widows.
- **Scottish Widows:** the DC Section's Default Option is structured as a 'governed' investment solution which is designed and implemented by Scottish Widows. Scottish Widows is responsible for the appointment and removal of the underlying investment managers used through the Default Option as well as the ongoing relationships with the investment managers.

Section 2: Review of, and changes to, the DC Section of the SIP

As at 1 April 2020, the version of the SIP in place was dated September 2019. There are two parts to the SIP, one covering the defined benefit (DB) section and one covering the DC Section and this reflects the operational differences between the two sections of the Scheme.

The DC Section of the SIP was reviewed once during the Scheme year and a revised version was agreed by the Trustee in September 2020. The revisions included:

- The Trustee's policies in relation to stewardship, including how it monitors investee companies and the management of conflicts of interest.

Implementation Statement (Cont)

DC Section (Cont)

- The Trustee's arrangements with its asset managers, including how the Trustee incentivises the asset managers to align their investment decisions with the Trustee's investment policies and how the Trustee evaluates the performance of the asset managers

Section 3: Adherence to the SIP

In the Trustee's opinion, the SIP has been followed over the Scheme year in the following ways:

1. **The DC Section continues to offer a suitable Default Option for members.** The ISC, supported by the Trustee's professional advisers, completed a formal review of the Default Option of the DC Section in May 2020. This considered the membership profile of the DC Section and their potential needs and included an assessment of future planned changes being made by Scottish Widows to the Default Option. These changes commenced in the fourth quarter of 2020 and are due to be formally completed in the second half of 2021.

   The review concluded that the Default Option remained suitable to meet the needs of the average DC Section member and that overall Scottish Widows' planned changes were positive. This assessment was discussed and agreed at the June 2020 Trustee meeting.

2. **An appropriate range of self-select options is made available.** As part of the May 2020 review noted above, the ISC also considered the wider range 'lifestyle' and self-select investment options provided through the DC Section. These options are designed to provide flexibility for members and allow them to tailor their investment choices to meet their needs. The review concluded that the range remained appropriate, but that consideration should be given to a future review of the self-select investment options once the changes to the Default Option were completed.

3. **Quarterly monitoring of the investment options did not identify any issues.** The ISC, supported by the Trustee's professional advisers, monitor the performance of the DC Section's Default Option and wider range of investment funds each quarter. Any performance issues identified are raised with the Trustee at the quarterly Trustee meetings.

   As all funds provided through the DC Section are passively managed, these reviews consider whether the range of investment options provided have performed in line with their stated benchmarks. Scottish Widows provides quarterly investment performance reporting to support the ISC and Trustee with this review. Over the Scheme year there were no instances where the performance of the DC Section's investment funds deviated significantly from the performance of their stated benchmarks.

4. **Work began on reviewing the investment managers' policies on responsible investing, stewardship and sustainability.** The ISC, on behalf of the Trustee, completed an initial assessment of the Environmental, Social and Governance (ESG) policies of Scottish Widows and the DC Section's pooled fund managers at the May 2019 and September 2019 ISC meetings. As a result of this assessment, the ISC concluded that the policies of Scottish Widows and the DC Section's pooled fund managers were reasonable and were not out of line with the Trustee's own policies described in the SIP. As such, and following subsequent discussions with the Trustee, no immediate action was taken.

   It was noted, however, that further work would be needed in this area as the policies and practices of all parties (including the Trustee) continue to develop. As the bundled provider to

Implementation Statement (Cont)

DC Section (Cont)

the DC Section, the Trustee expects Scottish Widows to provide further information and reporting on its ESG policies and practices as well as those of the DC Section's investment managers.

Scottish Widows' first report was published in April 2021 and was presented to the ISC at the May 2021 meeting. As this falls outside of the reporting period covered by this Statement, further information will be provided in next year's Statement.

5. **Non-financial matters were not considered over the Scheme year.** In line with the policies outlined in the SIP, the Trustee did not make any allowance for non-financial matters and did not receive or seek any member views for incorporation into its ESG policy over the Scheme year.

6. **Communicating ESG and stewardship with DC Section members**. The Trustee expects that the annual communication to members regarding ESG and stewardship will be addressed in the annual Implementation Statement, with this document representing the first of this kind. This document is a statutory report and will be produced on an annual basis alongside the Scheme's Annual Reports and Accounts.

7. **The costs and charges applied through the DC Section remain broadly competitive.** The Trustee completes an annual assessment of the charges (Total Expense Ratios) and transaction costs levied by Scottish Widows, which are benchmarked by the Trustee's professional advisers. Such costs are reported to members in the Chairman's Statement on DC governance, available here:

   https://warwick.ac.uk/services/humanresources/internal/rewardandbenefits/corebenefits/pensions/ups/

   Based on external advice, the Trustee believes that the charges and transaction costs applied to the DC Section's range of investment options are broadly competitive, taking into account the size of the arrangement and investment strategy of the DC Section.

Section 4: Voting and engagement

Over the Scheme year, the DC Section was invested in pooled investment vehicles managed by BlackRock, Abrdn and Columbia Threadneedle. The voting and engagement entitlements in the funds lie with the managers.

The Trustee understands the importance of carrying out periodic reviews of the voting and engagement information of its investment managers to ensure they align with its own policies. The Trustee, together with its professional advisers, requested such information from Scottish Widows (as the bundled pension provider to the DC Section) for the period 1 April 2020 to 31 March 2021 and this was provided on 1 July 2021.

Having reviewed the above in accordance with their policies, the Trustee is comfortable that the actions of the fund managers are broadly aligned with the DC Section's stewardship policies.

The role of Scottish Widows

Scottish Widows is the bundled pension provider to the DC Section and is also responsible for the design of the Default Option of the DC Section. Whilst Scottish Widows delegates the voting and engagement activity connected with the Default Option to BlackRock as the underlying

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DC Section (Cont)

pooled investment manager, the Trustee is mindful of the need to consider Scottish Widows' stewardship activity.

Scottish Widows provides an annual report which gives details of its stewardship activity and the first report was published in April 2021. A high level review of this report was completed by the ISC in May 2021 and this therefore falls outside of the period covered by this Statement. The Trustee will review this report annually to ensure Scottish Widows' activity is aligned with its own policies and report relevant information in future Statements.

Voting activity

The table below provides information, sourced from Scottish Widows, relating to BlackRock's voting activity for the pooled investment funds provided through the DC Section over the Scheme year. Please note that where funds are not present in the table, data was not provided by Scottish Widows.

Manager	BlackRock					
Fund name	Aquila Connect UK Equity Index	Aquila Connect World (Ex-UK) Equity	Aquila Connect Pacific Rim Equity Fund	ACS Continental European Equity Fund	IShares Emerging Markets Equity Index Fund	ACS Climate Transition World Equity Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour
Number of company meetings the manager was eligible to vote at over the year	808	2,203	448	546	2,777	141
Number of resolutions the manager was eligible to vote on over the year	11,044	27,246	3,150	9,326	25,487	1,774
Percentage of resolutions the manager voted on	100%	92.04%	99.62%	76.79%	96.03%	72.83%

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DC Section (Cont)

Manager			BlackRock			
Percentage of resolutions the manager abstained from	0.65%	0.34%	0.13%	0.80%	3.98%	0.45%
Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on	94.87%	93.71%	90.12%	87.56%	90.69%	95.59%
Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on	5.13%	6.26%	9.88%	12.33%	9.31%	4.41%
Percentage of resolutions voted contrary to the recommendation of the proxy adviser	N/A	N/A	N/A	N/A	N/A	N/A

The proportion of resolutions that were voted on and abstained from may not sum to 100%. This can be due to how the investment manager or local jurisdictions define abstentions or classify a formal vote or abstentions as opposed to not returning a voting form or choosing to nominate a proxy.

There are no voting rights attached to the other assets held by the DC Section and therefore there is no voting information shown above for these assets.

Proxy voting

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA"). The analysts within each team will generally recommend how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required and in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

Whilst BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it primarily uses proxy research firms to synthesise corporate governance information and analysis. Other sources of information it uses include each company's own reporting

Implementation Statement (Cont)

DC Section (Cont)

(such as the proxy statement and the website), its engagement and voting history with the company, and the views of its active investors, public information and ESG research. It does not follow any single proxy research firm's voting recommendations and works with proxy research firms to apply its proxy voting guidelines and filter out routine or non-contentious proposals.

Significant votes

For the first year of implementation statements the Trustee has delegated to the investment manager(s) to define what a "significant vote" is.

In determining significant votes, BlackRock Investment Stewardship prioritises its work around the themes that it believes will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which it invests. BlackRock's year-round engagements with clients, as well as its active participation in market-wide policy debates, help inform these priorities. The themes it has identified are reflected in its Global Principles, market-specific voting guidelines and engagement priorities, which underpin its stewardship activities and form the benchmark against which it looks at the sustainable long-term financial performance of investee companies.

Across the six funds outlined above, BlackRock reported a total of 30 significant votes (excluding duplication across the underlying funds) and it is not therefore feasible to include detail for each of these votes within this Statement. However, BlackRock periodically publishes "vote bulletins" on what it believes are its significant votes and these are available here: https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history. These bulletins provide an overview of each significant vote and include background to the vote as well as BlackRock's rationale for voting 'For' or 'Against'.

The following table provides links to a sample of these voting bulletins for the pooled funds noted above. In most cases these have been selected as the vote applies to two or more of the pooled funds noted above, but also to ensure that there is at least one vote per fund:

Company name	Date of the vote	Link to summary information	Fund(s)
Exxon Mobil Corporation	27 May 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2020.pdf	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity ACS Climate Transition World Equity Fund
Santander Consumer USA Holdings Inc.	10 June 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-santander-jul-2020.pdf	Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund ACS Climate Transition World Equity Fund
Chevron Corporation	27 May 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity ACS Climate Transition World Equity Fund
Woodside Petroleum Ltd	30 April 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity

Implementation Statement (Cont)

DC Section (Cont)

Company name	Date of the vote	Link to summary information	Fund(s)
			Aquila Connect Pacific Rim Equity Fund ACS Climate Transition World Equity Fund
Mizuho Financial Group Inc	25 June 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-mizuho-fg-jun-2020.pdf	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity
Barclays Plc	7 May 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf	Aquila Connect UK Equity Index ACS Climate Transition World Equity Fund
Volkswagen AG	30 September 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volkswagen-oct-2020.pdf	Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund
Daimler AG	8 July 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-daimler-jul-2020.pdf	Aquila Connect UK Equity Index Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund ACS Climate Transition World Equity Fund
Volvo AB	18 June 2020	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-volvo-jun-2020.pdf	Aquila Connect World (Ex-UK) Equity ACS Continental European Equity Fund ACS Climate Transition World Equity Fund
Top Glove Corporation Bhd	6 January 2021	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-top-glove-jan-2021.pdf	IShares Emerging Markets Equity Index Fund

Implementation Statement (Cont)

DC Section (Cont)

Fund level engagement

The table below provides details of the engagement activity for the DC Section's pooled funds over the Scheme year. Please note that where funds are not present in the table, we did not receive the data from Scottish Widows.

Manager	BlackRock					
Fund name	Aquila Connect UK Equity Index	Aquila Connect World (Ex-UK) Equity	Aquila Connect Pacific Rim Equity Fund	ACS Continental European Equity Fund	IShares Emerging Markets Equity Index Fund	ACS Climate Transition World Equity Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes	Yes
Total number of company engagements undertaken on behalf of the holdings in this fund in the year	2,845	1,564	170	448	408	939
Total number of individual companies engaged	1,723	875	112	213	285	479

Implementation Statement (Cont)

DC Section (Cont)

Number of engagements by topic undertaken with holdings in the funds

The following table provides data on the number of engagements undertaken by BlackRock which it has segregated by engagement theme. 'E' refers to environmental issues, 'S' refers to Social issues and 'G' refers to governance issues. As above, where funds are not present in the table, we did not receive the data from Scottish Widows.

Topic	Aquila Connect UK Equity Fund	Aquila Connect World (Ex-UK) Equity	Aquila Connect Pacific Rim Equity Fund
		Number of Engagements	
E- Climate Risk Management	1293	785	94
E- Environmental Impact Management	670	379	65
E- Operational Sustainability	1223	683	79
S- Human Capital Management	928	564	76
S- Social Risks and Opportunities	656	382	72
G- Board Composition & Effectiveness	1350	721	98
G- Business Oversight/Risk Management	952	536	93
G- Corporate Strategy	1288	717	104
G- Executive Management	438	213	46
G- Governance Structure	728	433	102
G- Remuneration	1029	525	74

Topic	ACS Continental European Equity Fund	iShares Emerging Markets Equity Index Fund	ACS Climate Transition World Equity Fund
		Number of Engagements	
E- Climate Risk Management	182	218	474
E- Environmental Impact Management	22	151	235

Implementation Statement (Cont)

DC Section (Cont)

E- Operational Sustainability	223	223	454
S- Human Capital Management	84	104	375
S- Social Risks and Opportunities	53	108	283
G- Board Composition & Effectiveness	214	205	419
G- Business Oversight/Risk Management	109	178	353
G- Corporate Strategy	139	256	409
G- Executive Management	67	105	154
G- Governance Structure	58	160	201
G- Remuneration	166	104	357

Chair's Statement

UPS Pension Trustee Limited

Chair's annual statement regarding defined contribution benefits held in the University of Warwick Pension Scheme ("the Scheme")

1. Introduction

1.1. This statement has been prepared by UPS Pension Trustee Limited ("the Trustee"), the Trustee of the University of Warwick Pension Scheme ("the Scheme"), and reports on how the Trustee has complied with the defined contribution (DC) governance standards. These standards are designed to help members achieve good outcomes from their pension savings.

1.2. This statement covers the Scheme year 1 April 2020 to 31 March 2021.

1.3. The Trustee will publish this Statement on a publicly accessible website. The web address for the website will be: https://warwick.ac.uk/pensions/ups

2. The Scheme's DC arrangements

2.1. Over the reporting period, the Scheme's DC arrangements comprised the following:

2.1.1. A Defined Contribution Section ("the DC Section") which is open to future contributions and is used as a qualifying workplace pension scheme for auto-enrolment purposes. The administration and investment management services for the DC Section are provided by Scottish Widows.

2.1.2. A separate AVC arrangement provided by Prudential which holds benefits for Defined Benefit Section ("the DB Section") members.

3. The DC Section's default investment arrangement

3.1. Over the reporting period, the DC Section had one default investment arrangement for the purposes of the regulations, the Scottish Widows Passive Interim Lifestyle Strategy ("the Default Option"). This was implemented in January 2017 following advice from the Trustee's professional advisers. Its design took account of the needs of DC Section members as well as the Trustee's own investment beliefs.

Default Option design and objectives

3.2. The key features of the Default Option are as follows:

3.2.1. It is structured as a lifestyle investment strategy which invests across a series of multi-asset investment funds. The multi-asset funds are designed to provide exposure to different degrees of investment risk depending upon each member's term to their Normal Retirement Age (NRA).

3.2.2. When a member is a long way from NRA, the Default Option will hold investments that are designed to be higher risk with the objective of providing higher returns. Over the 42 years prior to a member's NRA the Default Option will automatically and progressively switch their retirement savings into lower risk investments with the aim of protecting their value relative to the way in which they are expected to be accessed.

Chair's Statement (Cont)

3.2.3. The Default Option has been designed to provide flexibility at each members NRA by being broadly appropriate regardless of how each member takes their retirement income (e.g. cash, annuity purchase or drawdown).

Alternative investment options

3.3. Alongside the Default Option, the Trustee has made available three additional investment strategies that target Annuity Purchase, Drawdown and Cash at NRA. These all use the same investment for growth as the Default Option and it is only in the final years of investment where these strategies will vary.

3.4. The Trustee also provides access to a range of DC Section specific investment funds for members to self-select; the UPS Balanced Growth Fund, the UPS Equity Growth Fund, the UPS Money Market Fund, the UPS Pre-Retirement Fund and the underlying investment portfolios that make up the Passive Lifestyle Strategies. These consist of the SW Passive Annuity Purchase, the SW Passive Multi Asset I, the SW Passive Multi Asset II, the SW Passive Multi Asset III, the SW Passive Multi Asset IV, the SW Passive Multi Asset V and the SW Money Market.

Review of the Default Option and recent changes

3.5. The Trustee, together with its professional advisers, monitors the investment options accessed through the DC Section on a quarterly basis. This monitoring looks at the performance of the funds, to ensure that they are consistent with the stated aims and objectives, as well as any developments or changes at the fund manager. The Trustee is comfortable that the funds used by the Default Option have performed in line with their stated aims and objectives over the Scheme year.

3.6. The last strategic review of the Default Option was completed on 11 May 2020. As part of this review, the Trustee considered the on-going suitability of the strategy with specific reference to the membership profile of the DC Section and the potential needs of members at retirement. The review also noted that Scottish Widows had announced some planned changes to the Default Option which included:

3.6.1. Increasing the range of investments held by the strategy by replacing some of the equity holdings with holdings in Real Estate Investment Trusts and Emerging Market Bonds.

3.6.2. Introducing a new fund into the investments held by the Default Option, called the BlackRock Climate Transition Fund, to increase the focus on Environmental, Social and Governance (ESG) issues.

3.6.3. Changing the investments held in the approach to NRA so that the Default Option is more closely aligned with members taking their retirement savings through drawdown, rather than through a 'Universal' approach.

3.7. The review concluded that the Default Option remained appropriate for the average DC Section member and noted that, overall, the changes being proposed by Scottish Widows were appropriate and should add longer-term value. The review also concluded that the range of alternative investment options continued to form an important part of the DC Section's offering, allowing members flexibility over their investment options. However, the decision was taken to revisit the range of self-select funds in the latter part of 2021.

3.8. The Trustee notes that, due to the impact of Covid-19, Scottish Widows' proposed changes to the Default Option were delayed and the implementation commenced Quarter 4 2020. As such, these remain ongoing and the Trustee, supported by its professional advisers, will continue to monitor Scottish Widows progress.

Chair's Statement (Cont)

Further information on investments

3.9. Information on the range of investment options provided through the DC Section is available in the Statement of Investment Principles (SIP) which was last reviewed in September 2020. This is appended to this Chair's Statement and published online alongside. For the purposes of Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 the SIP sets out further details around the Trustee's investment objectives, as well as the default investment strategy.

4. Core financial transactions

4.1. The Regulations require the Trustee to ensure that core financial transactions are processed promptly and accurately. Core financial transactions comprise:

4.1.1. The investment of contributions.

4.1.2. Transfers into and out of the DC Section.

4.1.3. Investment switches.

4.1.4. Payments out of the DC Section in respect of members.

DC Section administration

4.2. To ensure the accuracy and timeliness of all DC Section core financial transactions, the Trustee has established robust reporting and monitoring processes.

4.2.1. The day-to-day monitoring of administration standards is undertaken by the University's "in-house" pensions team who scrutinise the performance of all service providers to the DC Section. The Pensions Administration Manager reports back to the Trustee on anecdotal experience as part of the quarterly Trustee meetings and any immediate concerns are escalated to the Trustee as appropriate.

4.2.2. Service Level Agreements (SLAs) have been agreed as part of the contract between the Trustee and Scottish Widows. These SLAs set out the agreed maximum timescales for each task to be completed and also the percentage of tasks expected to be completed within these timescales. The agreed SLAs for each of the individual core financial transactions identified in 4.1 above are as follows:

Core financial transaction	SLA
Investment of contributions	24 hours from date of receipt
Transfer into the DC Section	Act on instruction by end of the following Business Day
Transfer out of the DC Section	Act on instruction within 2 Business Days
Investment switches	Act on instruction by end of the following Business Day
Payments out of the Plan	Act on instruction within 2 Business Days

Chair's Statement (Cont)

4.2.3. Scottish Widows provides the Trustee with quarterly administration reports that document its performance against the agreed SLAs. The Trustee considers these reports in detail as a regular item at its quarterly meetings. Scottish Widows reports core financial transactions under 'Time Critical Processes' and its performance over the Scheme year is outlined in the table below:

SLA area	Performance target	Performance in period
Time Critical Processes	100%	84.1%
Manual Administration	95%	83.9%
Call Handling	97%	94.3%*

*based on average of monthly performance period as opposed to total calls.

4.2.4. With effect from July 2019 Scottish Widows have also reported on 'Manual Financial Transactions Accuracy'. The target for this is 100%. Since it has been included in reporting, 'Manual Financial Transactions Accuracy' has been 100%.

4.2.5. As part of its ongoing consideration of service standards, the Trustee noted that the SLA level achieved by Scottish Widows over the Scheme year for Time Critical processes was below the target of 100%. Scottish Widows was asked to provide further detail on this point as part of a quarterly Trustee meetings and noted that the delays relate to the difficult working conditions and ongoing transformation of working practices arising from the Covid-19 pandemic. Importantly, Scottish Widows was able to confirm that, where any Time Critical processes had been delayed, action had been taken to ensure that the member in question was not disadvantaged.

4.2.6. Administration is captured as part of the Scheme's risk register and any DC Section specific risks are clearly documented. This includes details of the controls established by the Trustee and records details of any required actions.

4.2.7. Additional measures that help to monitor the accuracy of core financial transactions are the University's annual checks on data quality.

4.3. There were no significant issues reported to or identified by the Trustee in connection with either the promptness or accuracy of core financial transactions processed during the period covered by this statement. As is mentioned above, there was some underperformance against SLAs, and this has been addressed. The Trustee will continue to monitor SLA performance.

AVC administration

4.4. As the administrator of the Defined Benefit Section ("the DB Section") of the Plan, the Trustee has delegated the administrative oversight of the separate AVC arrangements held with Prudential to Barnett Waddingham.

4.5. Barnett Waddingham advise the secretary to the Trustee of any specific issues that arise relating to the administration of the separate AVC policies.

4.6. In the Scheme year the Trustee considered the ongoing administration of the Prudential AVC arrangements. It was noted that some members of the Scheme had experienced delays in relation to queries. The Trustee and their advisers believe that this results from challenges that Prudential has faced connected to moving between administration platforms and the impact of the Covid-19 pandemic on staffing and processes. The Trustee will continue to monitor this.

Chair's Statement (Cont)

Trustee's view of core financial transactions

4.7. Taking the above into consideration, the Trustee is confident that all core financial transactions over the Scheme year have been processed promptly and accurately. Whist there were some minor issues in relation to Time Critical processes, this has been investigated and no members were subject to any detrimental impact. The Trustee notes that there were no issues relating to core financial transactions over the reporting period.

5. Charges and transaction costs

5.1. Charges for the administration, communication and investment services provided to the Scheme's DC arrangements are structured on a 'bundled' basis and consist of the following:

5.1.1. **Charges:** these are collected by deduction of investment units and are expressed as a percentage of the value of each member's holdings within an investment fund. They are referred to as a Total Expense Ratio (TER) and include the Annual Management Charge (AMC) and the Fund Charge (FC) incurred over the period.

5.1.2. **Transaction cost:** these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER.

DC Section charges and transaction costs

5.2. The following table provides details of the costs and charges applied to each of the investment options provided through the DC Section over the period 1 April 2020 to 31 March 2021. This data has been sourced from Scottish Widows:

Investment option	Fund Charge (FC)	Annual Management Charge (AMC)	Total Expense Ratio (TER)	Transaction Costs [1]
SW Money Market CS1 [2]	0.440%	0.180%	0.620%	0.014%
SW Passive Annuity Purchase CS1 [2]	0.410%	0.090%	0.500%	-0.018%
SW Passive Multi-Asset I CS1	0.410%	0.095%	0.505%	-0.016%
SW Passive Multi-Asset II CS1 [2]	0.420%	0.098%	0.518%	0.000%
SW Passive Multi-Asset III CS1 [2]	0.420%	0.098%	0.518%	0.004%
SW Passive Multi-Asset IV CS1 [2]	0.410%	0.096%	0.506%	-0.007%
SW Passive Multi-Asset V CS1 [2]	0.410%	0.092%	0.502%	0.000%
UPS Balanced Growth	0.410%	0.086%	0.496%	0.000%
UPS Equity Growth	0.410%	0.083%	0.493%	0.000%
UPS Money Market	0.360%	0.140%	0.500%	0.011%
UPS Pre-Retirement	0.410%	0.085%	0.495%	-0.046%

[1] In certain circumstances the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes the price of the asset being traded down, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

Chair's Statement (Cont)

[2] These are the underlying funds used by the Default Option. Note that for members investing in the Default Option the costs and charges that apply will depend upon how far each member is from their NRA.

AVC arrangement costs and charges – Prudential

5.3. Scheme members that hold AVC benefits with Prudential are invested in the Prudential With Profits Fund. Details of the charges and transaction costs quoted by Prudential for the With Profits Fund are provided in the table below:

Fund name	TER	Transaction costs	Effective date [1]
Prudential With Profits Fund	Prudential does not state an explicit TER for its With Profits Fund as charges are deducted before bonuses are applied to members' benefits, however, they are estimated to be in the region of 1%.	0.13%	31/12/2020

[1] The Trustee and its advisers requested transaction cost information from Prudential for the reporting period covered by this Statement, however, Prudential was not able to provide this information in time for inclusion in this Statement. The transaction cost data to 31 December 2020 was released in July 2021 and Prudential was not able to confirm the expected timescales for the transaction cost data to 31 March 2021. The Trustee is continuing to work with its advisers to exert pressure on Prudential to ensure this information can be included in future years

Impact of costs and charges

5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in Appendix 1. We have not included illustrations for the Prudential With Profits Fund as the holdings are not material relative to the wider Scheme DC assets. We note that the estimated charges are relatively high for this fund, but equally it does offer guarantees that members may value.

Chair's Statement (Cont)

5.5. The Trustee also investigated whether Market Value Reductions (MVRs) would apply on transfers out of the Prudential With Profits Fund. Prudential confirmed that MVRs may apply if benefits taken at any time other than death or NRD and that MVRs were currently being applied to transfers out of the fund. However, they only apply an MVR if the value of the assets underlying an individual plan is less than the value of the plan including bonuses. In practice this suggests MVRs would not apply to the majority of AVC funds based on bonus records, but the amount of bonuses that apply to transfer values may be less than they were previously.

6. Value for members

6.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

6.2. Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings set out in a report. The Trustee considered this analysis and confirmed its assessment of value for members, effective as at 31 March 2021 and this is set out below.

6.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.

6.4. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring and the investment governance structure, so these were included in the assessment.

6.5. Other services paid for by the University of Warwick were excluded but nevertheless deliver value to members, e.g. the services of professional advisers in relation to the defined contribution sections and the operation of the Trustee board, with a duty to act in the best interest of members.

DC Section

6.6. In relation to the DC Section, the member-borne charges and transaction costs relate to:

6.6.1. investment services

6.6.2. administration services

6.6.3. communication services

The assessment considered:

6.6.4. in relation to investment services:

6.6.5. the investment strategy, e.g. the design of the default and range of alternative options

6.6.6. the arrangements for monitoring the performance of the investment options and reviewing the investment strategy

6.6.7. the investment governance arrangements

Chair's Statement (Cont)

6.6.8. in relation to administration services:

6.6.9. the general administration arrangements

6.6.10. arrangements in relation to financial transactions

6.6.11. data and record keeping

6.6.12. in relation to communication services:

6.6.13. communication strategy

6.6.14. pre-retirement communications

6.6.15. at/post retirement communications

6.7. The assessment concluded that the DC Section continues to provide **excellent value** for members and that there are no areas in which the DC Section's arrangements detract value.

6.8. In reaching the conclusion the Trustee recognised the robust governance processes applied to the DC Section, the range and quality of administration services and engagement tools provided to members.

AVC benefits

6.9. In relation to the AVC arrangement with Prudential, the member-borne charges and transaction costs relate to:

6.9.1. investment services

6.9.2. administration services

6.9.3. communication services

6.10. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.

6.11. The Trustee concluded that the AVC arrangement offers **reasonable value** in relation to the charges and transaction costs borne by members

6.12. In reaching this conclusion, the Trustee recognised:

6.12.1. Members investing in the arrangement can use their benefits to fund their tax free cash entitlements through the defined benefit (DB) section of the Scheme.

6.12.2. The charges are broadly aligned with similar types of arrangements offered elsewhere.

6.12.3. Barnett Waddingham provides oversight of the benefits.

7. Trustee knowledge and understanding

7.1. Over the reporting period the Trustee comprised six Trustee Directors, of whom one is the Chair. Two of the Trustees are member-nominated, and four are employer-nominated, meeting statutory requirements for the composition of trustee boards.

7.2. The Trustee delegates certain activities to an Investment Sub-Committee (ISC). The ISC is responsible for assisting the Trustee with developing an appropriate investment strategy for the DC Section, the ongoing monitoring of the investment strategy and the activity and performance of Scottish Widows.

Chair's Statement (Cont)

Trustee knowledge and understanding requirements

7.3. Trustees are required to be conversant with their schemes' main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

Approach

7.4. The Trustee Directors aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the SIP, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the Scheme year and access to professional advice.

7.5. The Trustee Directors aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of Scheme assets through a combination of training, taking professional advice and the inclusion of professional Trustee Directors on the Trustee Board.

7.6. All Trustee Directors are asked to complete a formal training programme both following appointment and to review their training needs on an ongoing basis to ensure that they have the necessary skills and knowledge required to effectively discharge their duties.

7.7. Trustee training is considered at Trustee meetings and Trustee Directors are asked to provide feedback and suggest topics for future training sessions which allows all Trustee Directors to identify and address any gaps in knowledge. Training is delivered by the Trustee's professional advisers and external training is sought on topics relevant to the Trustee Directors' duties. A training log is updated each year in relation to training undertaken.

7.8. The Trustee Directors consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustee Directors on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Plan's documents and attending Trustee meetings.

Activities over the Scheme year

7.9. Over the Scheme year the Trustee took professional advice in the following areas:

7.9.1. Triennial investment review: the Trustee completed its triennial review of the investment strategy of the DC Section in May 2020. The review concluded that the range of investment options provided to members remained appropriate and no changes were made.

7.9.2. Statement of Investment Principles (SIP): the Trustee reviewed and updated the DC Section SIP in September 2020 to include the Trustee's policies in relation to stewardship and its arrangements with its asset managers.

7.9.3. Value for Member assessment: the Trustee assessed the value for members provided by the Scheme's DC arrangements and documented the results in the annual governance statement.

7.10. Over the Scheme year, the Trustee reviewed the following Scheme documents:

7.10.1. The 2020 annual governance statement

7.10.2. The Annual Report & Accounts

7.10.3. The risk register

Chair's Statement (Cont)

7.10.4. Investment adviser objectives, including a review of performance against those objectives

7.10.5. The DC Section booklet

7.11. Over the Scheme year, the Trustee received training on the following topics at Trustee meetings

7.11.1. The advantages and disadvantages of Master Trusts, including a comparison of potential value

7.11.2. Wider regulatory environment, capturing recent and upcoming legislative changes

7.11.3. Implementation statement requirements

7.11.4. Integration of ESG into investment strategy design

7.11.5. Additional Voluntary Contribution arrangements

Assessment

7.12. The Trustee Directors consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

7.12.1. The Trustee Directors are able to challenge and question advisers, service providers and other parties effectively

7.12.2. Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties

7.12.3. The Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements

[redacted] ....

James Hunt, for and on behalf of the Trustee of the University of Warwick Pension Scheme

Chair of the Trustee

.................24/9/21.................

Date

Chair's Statement (Cont)

Appendix 1: Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, Scottish Widows, on behalf of the Trustee, has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. To determine the parameters used in these illustrations, the Trustee, with support from the DC Section provider, Scottish Widows, has analysed the membership of the DC Section and ensured that the illustrations take into account the following:

A1.2.1. A representative range of pot sizes.

A1.2.2. A representative range of real term investment returns (gross of costs and charges), including the lowest, the highest and the most popular (by number of members).

A1.2.3. A representative range of costs and charges, including the lowest and the highest.

A1.2.4. A representative period of membership, covering the approximate duration that the youngest member would take to reach target retirement age.

A1.3. The Trustee has included future contributions in these illustrations as the DC Section remains open to contributions. For those members who are no longer active, the Trustee has also produced illustrations that assume no future contributions will be paid.

Guidance to the illustrations

The following notes on the illustrations should also be read;

1. Projected pot sizes are shown in today's terms and do not need to be reduced further for the effects of future inflation. Inflation is assumed to be 2.5%.
2. The retirement age is assumed to be age 65.
3. The starting pot size is assumed to be £3,000.
4. For active members, gross contributions are assumed to be £150 per month from the start of the projection to retirement and are assumed to increase in line with inflation. For deferred members contributions are assumed to be nil.
5. Values shown are estimates and not guaranteed.
6. The charges used are those shown earlier in this Chair's Statement. Scottish Widows were unable to use an average over the last 5 years.
7. The projected growth rates, gross of costs and charges, for each fund or arrangement are in line with the 2020 Statutory Money Purchase Illustrations (SMPIs) and are outlined below:

Self-Select Funds

Fund	Projected Growth Rate (Average)
SW Passive Multi-Asset V CS1	1.9% above inflation
SW Money Market CS1	2.0% below inflation*
UPS Equity Growth	1.9% above inflation
UPS Money Market	2.0% below inflation

Chair's Statement (Cont)

* Scottish Widows has confirmed that the illustrations for the SW Money Market Fund were produced using a growth rate of 1% below inflation in error. Scottish Widows has been asked to provide a revised illustration using the correct growth assumption, however this was not provided in time for inclusion within this Statement.

Default investment arrangement

Years to retirement	Projected Growth Rate (Average)
1	1.20% below inflation
3	1.00% below inflation
5	0.90% below inflation
10	0.60% below inflation
15	0.50% below inflation
20	0.30% below inflation
25	0.20% below inflation
30	0.10% below inflation
35	0.00% above inflation

Default Lifestyle Strategy – Active members

This has been selected as it is the most popular investment option selected through the DC Section. The illustrations show the impact of cost and charges for an active member investing in the strategy to age 65 starting at different ages. The illustrations assume a £150 per month contribution and a starting pot size of £3,000.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 30	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	4,750	4,730	4,770	4,750	4,810	4,790	4,810	4,790	4,850	4,830
3	8,210	8,130	8,330	8,240	8,450	8,360	8,490	8,400	8,660	8,570
5	11,500	11,300	11,800	11,600	12,000	11,800	12,200	12,000	12,600	12,400
10			20,000	19,400	21,000	20,300	21,900	21,300	23,100	22,400
15					29,700	28,500	31,600	30,300	33,800	32,400
20					37,300	35,300	40,600	38,400	44,600	42,100
25							49,300	46,000	55,900	52,100
30							56,100	51,700	67,800	62,300
35									78,900	71,600

Chair's Statement (Cont)

Note on how to read this table: If an Active member aged 35 had £3,000 invested in this strategy, when they came to retire in 30 years, the fund could grow to £56,100 if no charges are applied but to £51,700 with charges applied.

Default Lifestyle Strategy – Deferred members

This has been selected as it is the most popular investment option selected through the DC Section. The illustrations show the impact of cost and charges for a deferred member investing in the strategy to age 65 starting at different ages. The illustrations assume a starting pot size of £3,000 and that no further contributions are made.

Years	Age Now 60		Age Now 55		Age Now 45		Age Now 35		Age Now 30	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	2,980	2,970	3,000	2,980	3,020	3,010	3,020	3,010	3,050	3,040
3	2,940	2,890	3,000	2,950	3,060	3,020	3,080	3,040	3,170	3,130
5	2,880	2,810	2,990	2,910	3,090	3,010	3,140	3,070	3,300	3,220
10			2,870	2,720	3,100	2,940	3,300	3,140	3,620	3,450
15					3,090	2,860	3,410	3,160	3,870	3,590
20					2,970	2,680	3,420	3,080	4,060	3,670
25							3,410	2,990	4,270	3,760
30							3,280	2,810	4,480	3,850
35									4,620	3,870

Note on how to read this table: If a Deferred member aged 35 had £3,000 invested in this strategy, when they came to retire in 30 years, the fund could grow to £3,280 if no charges are applied but to £2,810 with charges applied.

Self-select funds – Active members

The illustrations shown below are for a representative selection of the funds that members may invest in through the DC Section. They were selected to reflect the range of projected returns and charges. The illustrations assume a £150 per month contribution and a starting pot size of £3,000.

Years	UPS Equity Growth		SW Passive Multi-Asset V CS1		UPS Money Market		SW Money Market CS1	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	4,850	4,830	4,850	4,830	4,700	4,680	4,730	4,710

Chair's Statement (Cont)

3	8,660	8,570	8,660	8,570	8,000	7,920	8,160	8,060
5	12,600	12,400	12,600	12,400	11,100	11,000	11,500	11,300
10	23,200	22,500	23,200	22,500	18,600	18,100	19,600	18,900
15	34,800	33,400	34,800	33,400	25,300	24,300	27,400	26,000
20	47,700	45,100	47,700	45,000	31,400	29,900	34,800	32,600
25	61,900	57,700	61,900	57,600	37,000	34,800	41,800	38,600
30	77,500	71,200	77,500	71,100	42,000	39,100	48,500	44,200
35	94,600	85,700	94,600	85,500	46,600	42,900	54,900	49,300

Note on how to read this table: If an Active member had £3,000 invested in the UPS Equity Growth Fund, when they came to retire in 30 years, the fund could grow to £77,500 if no charges are applied but to £71,200 with charges applied.

Self-select funds – Deferred members

The illustrations shown below are for a representative selection of the funds that members may invest in through the DC Section. They were selected to reflect the range of projected returns and charges. The illustrations assume a starting pot size of £3,000 and that no further contributions are made.

Years	UPS Equity Growth		SW Passive Multi-Asset V CS1		UPS Money Market		SW Money Market CS1	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	3,050	3,040	3,050	3,040	2,940	2,920	2,970	2,950
3	3,170	3,130	3,170	3,130	2,820	2,780	2,910	2,850
5	3,300	3,220	3,300	3,220	2,720	2,650	2,850	2,770
10	3,630	3,460	3,630	3,460	2,460	2,340	2,720	2,550
15	4,000	3,720	4,000	3,710	2,230	2,070	2,590	2,360
20	4,410	4,000	4,410	3,990	2,030	1,830	2,470	2,180
25	4,860	4,290	4,860	4,280	1,840	1,620	2,350	2,010
30	5,350	4,620	5,350	4,600	1,670	1,430	2,240	1,850
35	5,900	4,960	5,900	4,940	1,510	1,260	2,140	1,710

Note on how to read this table: If a Deferred member had £3,000 invested in the UPS Equity Growth Fund, when they came to retire in 30 years, the fund could grow to £5,350 if no charges are applied but to £4,620 with charges applied.

DB Section Statement of Investment Principles

The University of Warwick Pension Scheme – DB Section

Statement of Investment Principles

September 2020

DB Section Statement of Investment Principles (Cont)

Table of Contents

DB Section Statement of Investment Principles (Cont)

Section 1: Introduction

Pensions Acts

1.1 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), trustees are required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment principles pursued by the UPS Pension Trustee Limited (the "Trustee") of The University of Warwick Pension Scheme DB Section ("the Scheme").

1.2 The Trustee has consulted the University of Warwick ("the Employer") on the principles set out in this statement and will consult the Employer on any changes to it. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.3 Before drawing up this statement, the Trustee has obtained and considered written advice from the Scheme's DB investment consultants (currently Willis Towers Watson). The Trustee will review this document regularly, at least every three years, and without delay following a significant change in investment policy.

Financial Services and Markets Act 2000

1.4 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for the selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Scheme details

1.5 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries ("Members").

DB Section Statement of Investment Principles (Cont)

Section 2: Division of responsibilities

2.1 The Trustee has ultimate responsibility for decision-making on investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

2.2 In particular, the Trustee delegates a number of tasks to an Investment Sub Committee ("ISC") as well as a Delegated Chief Investment Officer ("DCIO"), the latter function being carried out by Willis Towers Watson.

Trustee roles and responsibilities

2.3 The Trustee's primary investment role and responsibility is to set the overall strategic investment objectives for the Scheme, including a risk budget, return target, sustainable investment policy, broad strategic asset allocation policy, and broad risk-management framework for the Scheme (taking advice from the ISC and DCIO), and ensuring that these objectives remain appropriate over time.

2.4 The Trustee delegates a number of responsibilities to the ISC and DCIO (as set out below). However, the Trustee reserves the right to make decisions on all such matters subject to informing the ISC and DCIO as soon as practicable after a decision has been taken.

ISC roles and responsibilities

2.5 The ISC's roles and responsibilities include:

- Assisting the Trustee in developing an appropriate overall investment risk budget, return target, sustainable investment policy, broad strategic asset allocation policy, and broad risk-management framework for the Scheme.
- Monitoring the overall progress of the Scheme and the underlying investment risk/return balance relative to the Trustee's strategic objectives and parameters, and reporting to the Trustee on an agreed frequency.
- Monitoring the activity and performance of DCIO for the services provided as set out in DCIO's agreement with the Scheme, and reporting to the Trustee on an agreed frequency.

DCIO roles and responsibilities

2.6 The Trustee has delegated responsibility to the DCIO to implement the Trustee's agreed investment strategy, including making certain decisions about investments (as set out in the Fiduciary Management and Investment Consulting Services Agreement (the Agreement) with effective date of 1 April 2012) in compliance with Sections 34 and 36 of the Pensions Act. In particular, as part of the Agreement, the Trustee sets out (and updates as and when deemed appropriate) specific Investment Guidelines for the DCIO within which to operate. The DCIO considers the Agreement, Investment Guidelines and the Trustee's policies set out within this statement when carrying out its role and responsibilities, which ensures appropriate incentivisation and alignment of decision-making with the Trustee's overall objectives, strategy and policies.

2.7 The DCIO's roles and responsibilities include:

DB Section Statement of Investment Principles (Cont)

- Assisting the ISC (and, where appropriate, the Trustee) in the development of an overall investment risk budget, return target, sustainable investment policy, broad strategic asset allocation policy, and broad risk-management framework for the Scheme.
- Within the constraints of the agreed investment guidelines:
  - determining asset allocation
  - liability hedging design and implementation
  - reflecting Environmental, Social and Governance and broader sustainable investment considerations in the portfolio risk management process, including both capital allocation and stewardship/engagement
  - selecting and de-selecting investment managers
  - implementing all asset transitions (including rebalancing).
- Leading and completing negotiations of investment manager agreements, including:
  - agreeing investment and commercial terms
  - obtaining, considering and acting on legal advice as appropriate
  - executing agreements on the Scheme's behalf under a Power of Attorney.

Underlying Investment Managers

2.8 Each underlying investment manager's responsibilities include:

- Discretionary management of the portfolio, including implementation (within agreed guidelines) of changes in the asset mix and selecting securities within each asset class.
- Providing regular statements of the assets they manage.
- The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Scheme.

Global Custodian and Performance Measurer

2.9 The Scheme currently contracts a global custodian, whose responsibilities include:

- Registering the Scheme's investment holdings.
- Providing independent transaction activity and valuation reporting on a monthly basis.
- Providing performance measurement services.

Professional Advisors

2.10 The Trustee currently uses a single firm for both actuarial advice and investment advisory and fiduciary management services as it believes this arrangement has certain advantages for the Scheme, such as common models being used for investment and funding purposes as well as ease of communication.

DB Section Statement of Investment Principles (Cont)

between lead advisers, both of which ultimately facilitate joined up funding and investment journey planning.

Scheme Actuary

2.11 The Scheme Actuary's responsibilities include:

- Performing the triennial (or more frequently, as required) valuations of the Scheme and advising on the appropriate contribution levels for the future.
- Liaising with the investment consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

DB Section Statement of Investment Principles (Cont)

Section 3: Long-term objectives and investment strategy

Scheme objectives

3.1 The long-term objective of the Trustee is for the Scheme to be fully funded on a gilt + 0.25% basis (which is taken to be the same basis as that underlying the technical provisions but using a gilts + 0.25% discount rate to assess the liabilities) by the year 2029.

3.2 The Trustee will review this performance objective regularly and amend as appropriate.

Investment strategy

3.3 The Trustee takes advice to determine an appropriate investment strategy for the Scheme consistent with the above long-term funding objective. This includes a risk budget and return target and a range of investment parameters, which are set out in a set of Investment Guidelines. The DCIO then implements the agreed strategy by managing the Scheme's portfolio in line with the agreed Investment Guidelines.

3.4 The investment strategy makes use of:

- a range of instruments that seek to match changes in liability values
- a diversified range of return-seeking assets, including a spectrum from index-tracking to actively managed portfolios
- a range of sustainable investment practices (see below), recognising that this is part of good financial risk management

3.5 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Scheme's funding and investment objectives.

3.6 The Scheme will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.

DB Section Statement of Investment Principles (Cont)

Section 4: Other investment policies

The Trustee also faces other requirements relating to investment, be they legislative or considered best practice.

Choosing investments

4.1 The Trustee has delegated responsibility for the selection and deselection of investments, and the ongoing management of relationships with asset managers to the DCIO within Investment Guidelines set by the Trustee. The DCIO will ensure that, in aggregate, the portfolio is consistent with the policies set out in this statement and that the investment objectives and guidelines of any individual manager/mandate are also consistent with those policies relevant to the mandate in question. The Trustee considers the DCIO's performance in carrying out these responsibilities as part of its ongoing oversight of the DCIO.

4.2 The Trustee expects the DCIO to appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the Trustee expects the DCIO to focus on longer-term outcomes commensurate with the Trustee's position as a long term investor. Consistent with this view, the Trustee does not expect that the DCIO would terminate a manager's appointment based purely on short term performance but recognises that a manager may be terminated within a short timeframe due to other factors such as a significant change in business structure or the investment team. The Trustee adopts the same long term focus as part of its ongoing oversight of the DCIO.

4.3 For most of the Scheme's investments, the Trustee expects the DCIO to appoint managers with a medium to long time horizon, consistent with the Scheme. In particular areas such as equity and credit, the Trustee expects the DCIO to work with managers who will use their engagement activity to drive improved performance over medium to long term periods within the wider context of long-term sustainable investment. The Trustee notes that the DCIO may invest in certain strategies where such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Scheme's allocation to such mandates is determined in the context of the Scheme's overall objectives.

4.4 The Trustee expects the DCIO to assess the alignment of the Scheme's underlying managers approach to sustainable investment (including engagement) with its own before making an investment on the Scheme's behalf. In addition, the Trustee expects the DCIO to review the managers' approach to sustainable investment (including engagement) on a regular basis and engage with the manager to encourage further alignment as appropriate. This monitoring process includes specific consideration of the sustainable investment/ESG characteristics of the portfolio and the managers' engagement activities. If, following engagement, the DCIO considers that the degree of alignment remains unsatisfactory, the Trustee expects the DCIO to deselect the manager.

4.5 The Trustee expects the DCIO to consider the fee structures of asset managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the appointment of an asset manager and on an ongoing basis. Asset managers are generally paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee expects the DCIO to review and report on the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee expects the DCIO to have regard to the actual portfolio turnover and how this compares with the expected turnover range for that mandate.

DB Section Statement of Investment Principles (Cont)

Responsible investing, stewardship and sustainability

4.6 At the time of writing the Trustee is at a relatively early stage in developing its policy with regards to the new regulatory requirements on responsible investing, stewardship and sustainability. As developments occur, the Trustee will review its policy in this area and amend it from time to time.

4.7 The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that:

- an investment's financial success can be influenced by a wide range of factors including environmental, social and governance (ESG) issues and stewardship.
- ESG considerations and stewardship are therefore important aspects of responsible financial risk management in order to protect the value of investments and should improve long-term member financial outcomes.

4.8 Where ESG factors, stewardship and broader sustainable investment considerations are deemed to be financially material, the Trustee believes that they should be taken into account within the investment decision-making process. The Trustee may consider non-financial matters as part of its overall decision making and setting of investment strategy including as and when views are proactively raised by members, and will continue to monitor and review its approach in this area.

4.9 The Trustee will consider ESG and stewardship using information from their advisers, investment managers and industry specialist bodies and in doing so, consider whether to review its own policy and procedures. The Trustee will report on ESG and stewardship at least annually, making this available to members.

4.10 The Trustee seeks to apply the principles outlined above via the selection and monitoring of the DCIO (and its associated approach to ESG and broader sustainability issues, as set out below). In particular, the Trustee has delegated:

- investment manager selection, de-selection and monitoring to the DCIO.
- the selection, retention and realisation of investments to the DCIO and in turn to the Scheme's investment managers (in accordance with the Financial Services and Markets Act 2000, the selection of specific investments is delegated to investment managers).
- responsibility for the exercising of rights (including voting rights) attaching to investments to the Scheme's investment managers.

4.11 The DCIO:

- has a dedicated Sustainable Investment resource and a network of subject matter experts.
- considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures, which the DCIO takes into account in the assessment.
- has appointed Hermes EOS to undertake public policy engagement on its behalf.

DB Section Statement of Investment Principles (Cont)

- engages with underlying managers where appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings
- fully embeds the consideration of ESG issues in the investment manager selection and portfolio management process, with oversight undertaken on an ongoing basis:
  - whilst noting there may be limitations for each investment manager and asset strategy, the DCIO expects investment managers to have ESG processes that align with the investment risk and return characteristics of the strategy
  - where an investment manager's processes are deemed insufficient by the DCIO and the investment manager does not take steps to improve their approach, the investment manager's position in the portfolio may be reviewed and/or a decision may be taken not to proceed with an investment
  - the DCIO encourages and expects the Scheme's investment managers to sign up to local or other applicable Stewardship Codes, in keeping with good practice, subject to the extent of materiality for certain asset classes
- is itself a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives

Liquidity and realisation of investments

4.12 The Scheme's administrator (currently Barnett Waddingham LLP) assesses the likely benefit outgo on a regular basis and ensures that sufficient cash reserves are available.

4.13 The Trustee's policy is that there should be sufficient secure investments in liquid or readily-realisable assets to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of assets will not disrupt the Scheme's overall investment policy.

DB Section Statement of Investment Principles (Cont)

Section 5: Risk management

5.1 The Trustee recognises a number of risks involved in the investment of the assets of the Scheme

- Solvency risk and mismatching risk
  - are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities under current and alternative investment policies
  - are managed through assessing the progress of the actual growth of the assets relative to liabilities under current and alternative investment policies
- Manager risk
  - is measured by the expected deviation of the prospective risk and return, as set out in the manager's objectives, relative to the investment policy
  - is managed through diversification across investment managers and by the ongoing monitoring of the performance of the investment manager as well as a number of qualitative factors supporting the manager's investment process.
- Liquidity risk
  - is measured by the level of cashflow required by the Scheme over a specified period
  - is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy
- Currency risk
  - is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values.
  - is managed by reducing the translation risk of investing overseas by hedging a proportion of the overseas investments' currency translation risk for those overseas currencies that can be hedged efficiently
- Custodial risk
  - is measured by assessing the credit-worthiness of the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody
  - is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate. In addition, restrictions are applied as to who can authorise transfers of cash and the accounts to which transfers can be made.
- Political risk
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention
  - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

DB Section Statement of Investment Principles (Cont)

- Sponsor risk
  - is measured by the level of ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit
  - is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by the number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the financial strength of the sponsor.

5.2 The Trustee continues to monitor these risks alongside the DCIO.

[redacted]

25/9/20

Signed for and on behalf of
UPS Pension Trustee Limited as Trustee of the Scheme
September 2020

DC Section Statement of Investment Principles

The University of Warwick Pension Scheme

Defined Contribution Section and Additional Voluntary Contribution arrangement – Statement of Investment Principles

DC Section Statement of Investment Principles (Cont)

Contents

DC Section Statement of Investment Principles (Cont)

1. Introduction

1.1. This Statement of Investment Principles ("the Statement") has been prepared by UPS Pension Trustee Limited ("the Trustee") and relates to the defined contribution (DC) benefits ("the DC Section") provided through The University of Warwick Pension Scheme ("the Scheme"). The Statement sets out the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015, incorporating changes as required by The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted the University of Warwick, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates).

1.4. The Trustee will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement or the demographic and profile of members.

1.5. The investment powers of the Trustee are set out in Section 10 of the DC Trust Deed and Rules, dated March 2010. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee carefully considers its Investment Objectives, shown in the Appendix, when designing the range of investment options to offer to its members. The Trustee also acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings – and therefore, whilst seeking good member outcomes net of fees, it also considers the level of risk that is appropriate based on the anticipated needs of the membership profile of the DC Section.

2.2. The Trustee's policy is to offer a range of lifestyle investment arrangements and a core range of investment funds that are suitable for the DC Section's membership profile and into which members can choose to invest their contributions and those contributions made by the employer. Details of these are given in the Appendix. In doing so, the Trustee considers the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.

2.3. The DC Section is a bundled arrangement that is insured and invested with Scottish Widows. The day-to-day management of the DC Section's assets is delegated to Scottish Widows and through Scottish Widows

DC Section Statement of Investment Principles (Cont)

the Trustee can access pooled funds from a range of other investment managers as well as Scottish Widow's own funds.

2.4. The DC Section's Default Option (outlined in the Appendix) is structured as a 'governed' investment solution which is designed and implemented by Scottish Widows. Scottish Widows is responsible for the selection and deselection of the underlying investment managers used through the Default Option as well as the ongoing relationships with the investment managers. The Trustee understands that Scottish Widows will appoint investment managers to be used by the Default Option with an expectation of a long-term partnership, which encourages active stewardship of the Scheme's assets.

2.5. The DC Section's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsibility le for stock selection and the exercise of voting rights.

2.6. The Trustee reviews the appropriateness of the DC Section's investment strategy on an ongoing basis and is supported in this regard by its Investment Sub-Committee (ISC). The ISC has a 'terms of reference' which sets out its roles, responsibilities and powers. This ongoing review includes consideration of the continued competence of Scottish Widows and its ongoing management of the Default Option as well as any other investment managers utilised through the DC Section with respect to their performance against their stated objectives and benchmarks.

2.7. The Trustee will consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed and agreed key investment objectives in light of an analysis of the DC Section's membership profile as well as the constraints the Trustee faces in achieving these objectives. These are set out in the Appendix.

4. Kinds of investments to be held

4.1. The DC Section is permitted to invest in a wide range of assets including equities, bonds, cash, commercial property and alternatives.

5. The balance between different kinds of investments

5.1. Members can choose to invest in any of the funds detailed in the Appendix or can elect to invest in a lifestyle strategy. Where members do not choose where their contributions, and those made on their behalf by the employer, are invested, the Trustee will invest these contributions according to the default investment option set out in the Appendix.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the DC Section's portfolio and may select different approaches for different asset classes or strategies.

DC Section Statement of Investment Principles (Cont)

5.3 The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and the asset allocation may change as the membership profile evolves.

6. Risks

6.1. Risk in a defined contribution scheme lies with the members themselves. The Trustee has considered a number of risks when designing and providing suitable investment choices to members. A comprehensive list of risks is set out in the Trustee risk register, however, the main investment risks affecting all members are:

Inflation risk	The risk that the investments do not provide a return at least in line with inflation, thus eroding the purchasing power of the retirement savings. The Trustee makes available investment options that are expected to provide a long-term real rate of return.
Conversion risk	The risk that fluctuations in the assets held, particularly in the period before retirement savings are accessed, lead to uncertainty over the benefit amount likely to be received. In the lifestyle arrangements made available through the DC Section (see Appendix), the Trustee changes the proportion and type of investments so that in the run up to retirement the investments gradually start to more closely match how the Trustee expects members to access their retirement savings. The Trustee keeps under review the appropriateness of the strategies.
Retirement income risk	The risk that a member's retirement income falls short of the amount expected, whether this is due to lower investment returns than expected or insufficient contributions being paid. The Trustee periodically reviews the appropriateness of the investment options offered to ensure member outcomes can be maximised. Communications to members will seek to encourage them to regularly review the level of their contributions, but ultimately this is a risk which lies with each member.
Investment manager risk	The Trustee monitors the performance of the DC Section's investment managers on a regular basis in addition to having meetings with them from time to time as necessary.
Concentration/ Market risk	Each investment manager is expected to manage properly diversified portfolios and to spread assets across a number of individual shares and securities.
Currency risk	The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the investment manager and custodian will be assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

DC Section Statement of Investment Principles (Cont)

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustee is advised by its professional advisors on these matters, whom it has deemed to be appropriately qualified. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to its investment managers.

9. Socially Responsible Investment, Corporate Governance and Voting Rights

9.1. At the time of writing the Trustee is at a relatively early stage in developing its policy with regards to the new regulatory requirements on responsible investing, stewardship and sustainability. As developments occur, the Trustee will review its policy in this area and amend it from time to time.

9.2. The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular the Trustee recognises that:

9.2.1. An investment's ability to meet the Trustee's objectives can be influenced by a wide range of factors including environmental, social and governance (ESG) issues and stewardship.

9.2.2. ESG considerations and stewardship are therefore important aspects of responsible financial risk management in order to protect the value of investments and should improve long-term member financial outcomes.

9.3. Where ESG factors, stewardship and broader sustainable investment considerations are deemed to be financially material, the Trustee believes that they should be taken into account within the investment decision-making process.

9.4. The Trustee may consider non-financial matters as part of its overall decision making and setting of investment strategy including as and when views are proactively raised by members, and will continue to monitor and review its approach in this area.

9.5. As the DC Section's investments are held in pooled funds, ESG considerations are implemented by the investment managers of each fund. The Trustee monitors how ESG, climate change and stewardship are integrated within the investment process adopted by the investment managers and considers these issues with reference to its own beliefs as part of the criteria when reviewing the suitability of the DC Section's investment options.

DC Section Statement of Investment Principles (Cont)

9.6 The Trustee delegates the exercise of rights (including voting rights) attached to the DC Section's investments to its investment managers. The Trustee expects Scottish Widows to monitor and report annually on the investment managers' approach to selecting investments, voting and engaging with companies with reference to ESG issues.

9.7. The Trustee considers it to be part of the role of their investment managers to assess and monitor how the companies in which they are investing are managing developments around ESG related issues on behalf of the DC Section.

9.8 When selecting investments to be used by the Default Option, the Trustee expects Scottish Widows to appoint managers with an expectation of a long-term partnership, which encourages active ownership of the DC Section's assets. The Trustee expects Scottish Widows to actively engage with the investment managers to drive improved performance over the medium to long-term within the wider context of long-term sustainable investment. The Trustee also expects Scottish Widows to assess each investment manager's approach to sustainable investment (including engagement) prior to its inclusion within the Default Option and to monitor each manager's approach to sustainable investment (including engagement) on a regular basis.

9.9. In selecting and reviewing its investment managers to the DC Section, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives, they will use another investment manager for the mandate.

9.10. The Trustee carries out a strategy review at least every 3 years to assess the continuing relevance of the Default Option and self-select funds in the context of the DC Section and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to sustainable investment and ESG on an annual basis using information provided by Scottish Widows. This monitoring considers the performance of the DC Section's investment managers over medium and long-term time periods consistent with the Trustee's investment aims, beliefs and constraints.

9.11. The Trustee expects Scottish Widows to report regularly on the costs incurred in managing the DC Section's assets and this includes the costs associated with portfolio turnover. The Trustee formally reviews the reported portfolio turnover costs, at least annually, as part of the preparation of the Chair's Annual Statement.

9.12. For the open-ended pooled funds in which the DC Section invests, there are no predetermined terms of agreement with the investment managers. The suitability of the DC Section's investments and their ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the specific funds used, is assessed.

9.13. The Trustee will consider ESG and stewardship using information from their advisers, investment managers and industry specialist bodies and in doing so, consider whether to review its own policy and procedures. The Trustee will report on ESG and stewardship at least annually, making this available to members.

DC Section Statement of Investment Principles (Cont)

9.14 The DC Section's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

10. Monitoring

10.1 Investment Performance: The Trustee reviews the performance of each investment option offered through the DC Section against the stated performance objective and, in doing this, the Trustee receives a performance monitoring report at least quarterly. This monitoring takes into account both short-term and long-term performance. The investment manager's overall suitability for each mandate will be monitored as frequently as the Trustee considers appropriate in light of both its performance and other prevailing circumstances.

10.2 Objectives: The Trustee monitors the suitability of the objectives for the DC Section (as detailed in the Appendix) and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members.

10.3 Investment Choices: The Trustee monitors the ongoing appropriateness of the investment choices offered on a periodic basis.

10.4 Engagement and Stewardship: the Trustee monitors the engagement and stewardship activities undertaken by the investment managers on an annual basis using information provided by the DC Section's bundled provider, Scottish Widows.

11. Agreement

11.1 This Statement was agreed by the Trustee, and replaces any previous statements. Copies of this Statement and any subsequent amendments will be made available to the employer, the investment manager, the actuary and the Scheme auditor upon request.

Signed: [redacted] **Date:** 25/9/20

On behalf of the Trustee of The University of Warwick Pension Scheme

DC Section Statement of Investment Principles (Cont)

Appendix 1 Note on investment policy in relation to the current Statement of Investment Principles dated August 2020

1. The balance between different kinds of investment

The Trustee's main investment objectives are:

- to provide a suitable default investment option that is likely to be suitable for a typical member of the DC Section.
- to offer an appropriate range of alternative investment options so that members who wish to make their own investment choices have the freedom to do so, recognising that members may have different investment needs and objectives.
- seek to achieve good member outcomes net of fees and subject to acceptable levels of risk.

The Trustee is responsible for the design of the default investment option and for choosing which investment options to make available to members. Members are responsible for their own choice of investment options (including where the default investment option is selected for them because they have not selected other funds).

The Trustee has made available a range of funds to suit the individual needs of the DC Section's members. For example, a range of funds with greater equity bias is available for those members willing to accept a greater level of volatility in pursuit of higher expected retirement savings. Funds that hold greater degrees of investment in bonds or cash are offered for those members who are less comfortable with the likely volatility of the equity funds.

Alternatively, the Trustee has made available a range of lifestyle arrangements, whereby a member's assets are automatically invested in line with a pre-determined strategy that changes as the member gets closer to accessing their retirement savings. Emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to lower risk assets over the years preceding the member's target retirement date so as to protect the purchasing power of the retirement savings.

The lifestyle arrangements are constructed from some of the funds mentioned above that are offered to members wanting to manage their own asset allocation decisions.

2. Default option

The Trustee acknowledges that members will have different attitudes to risk and different aims for accessing their retirement savings, and so it is not possible to offer a single investment option that will be suitable for each individual member. However, having analysed the membership profile of the DC Section,

DC Section Statement of Investment Principles (Cont)

the Trustee decided that the lifestyle arrangement set out below represents a suitable default investment option for the majority of members who do not make a choice about how their contributions (and those made on their behalf by the employer) are invested. The aims, objectives and policies relating to the default option are intended to ensure that assets are invested in the best interests of relevant members and their beneficiaries.

The default option is called the Passive Interim Lifestyle Strategy and is a governed solution which is designed and implemented by Scottish Widows. It invests in a range of risk targeted multi-asset funds depending upon how far each member is away from their Normal Retirement Age (TRA).

- When a member is more than 42 years from NRA, the Passive Interim Lifestyle Strategy will invest wholly in the Multi-Asset V Fund.
- From 42 years up to 7 years before each members NRA, the Passive Interim Lifestyle Strategy looks to reduce the level of investment risk by automatically and gradually switching out of the Multi-Asset V Fund. It initially switches into the Multi-Asset IV Fund followed by the Multi-Asset III Fund and then the Multi-Asset II Fund. At 7 years from NRA it will invest wholly in the Multi-Asset II Fund.
- Over the final 7 years to NRA, the Passive Interim Lifestyle Strategy will gradually switch a proportion of each member's investments into the Annuity Purchase Fund and the Money Market Fund. At NRA it will target a portfolio that invests 35% in the Multi-Asset II Fund, 40% in the Annuity Purchase Fund and 25% in the Money Market Fund.

This process is illustrated in the graph below:

The objective of the Passive Interim Lifestyle Strategy is to grow the value of a member's benefits over the longer term whilst providing less volatility (but a potentially lower return) than investing solely in a portfolio of global equities. In the approach to NRA it is designed to limit the extent to which members' benefits are exposed to large fluctuations in value. It targets a portfolio that looks to provide flexibility at retirement by being broadly appropriate regardless of how each member takes their retirement income (e.g. cash, annuity purchase or drawdown).

DC Section Statement of Investment Principles (Cont)

3. Alternative investment options

Acknowledging the challenge of identifying the best solution for different groups of members, the Trustee focuses on the default option. Alongside the default investment option, the Trustee makes available three further lifestyle investment options which have been designed to allow members to target a specific retirement income option. Like the Passive Interim Lifestyle Strategy, these form part of Scottish Widows' range of governed investment solutions so have been designed and implemented by Scottish Widows.

- Passive Flexible Retirement Lifestyle: designed for those members that intend to drawdown income in retirement.
- Passive Immediate Spend Lifestyle: designed for those members that intend to take their retirement fund as cash.
- Passive Securing Lifelong Income Lifestyle: designed for those members that intend to provide retirement income through annuity purchase.

Each of these Lifestyle options holds the same underlying investment funds as the Passive Interim Lifestyle Strategy in the early years of membership. However, in the final 7 years to NRA they are tailored to reflect the target retirement income option.

Members can also self-select individual funds to invest in. These consist of the constituent funds of the lifestyle programmes (referred to above) as well as four further funds, details of which are set out in the section below.

4. Choosing investments

The Trustee has appointed Scottish Widows to carry out the day-to-day investment of the DC Section. As the default option and range of lifestyle strategies are designed and implemented by Scottish Widows, Scottish Widows is responsible for selecting the underlying fund managers. The Trustee selects the fund managers for all other funds offered through the DC Section.

The investment managers to the DC Section are currently BlackRock and Columbia Threadneedle, both of which are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund are given below.

BlackRock	SW Multi-Asset V	SW Passive Multi Asset V Composite Benchmark	Provide capital growth over the long term
	SW Multi-Asset IV	SW Passive Multi Asset IV Composite Benchmark	Provide capital growth over the long term
	SW Multi-Asset III	SW Passive Multi Asset III Composite Benchmark	Provide capital growth over the long term

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	SW Multi-Asset II	SW Passive Multi Asset II Composite Benchmark	Provide capital growth over the long term
	SW Multi-Asset I	SW Passive Multi Asset II Composite Benchmark	Provide capital growth over the long term
	SW Passive Annuity Purchase	50% iBoxx Sterling Non-Gilts Index 50% FTSE UK Gilts Over 15 Years Index	Reflect to some degree the changes in the cost of purchasing a level annuity
	UPS Balanced Growth	60% FTSE All-World Developed Ex-UK Index 25% iBoxx Sterling Non-Gilts Over 15 Years Index 15% FTSE All-Share Index	To provide a moderate to higher return over the longer-term
	UPS Equity Growth	80% FTSE All-World Developed ex-UK Index 20% FTSE All-Share Index	To provide a higher return over the longer-term (compared to the other UPS funds available
	UPS Pre-Retirement	67% iBoxx Sterling Non-Gilts Over 15 Years Index 33% FTSE UK Gilts Over 15 Years Index	To provide returns linked to the bond markets that reflect, to some extent, movements in the price of buying an annuity
	UPS Money Market	7 Day Sterling LIBID	To provide a greater degree of capital stability than other assets
Columbia Threadneedle	SW Money Market	N/A	To provide stability of capital and a modest level of return

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

DC Section Statement of Investment Principles (Cont)

5. Fee agreements

The annual fee arrangements with the investment managers are summarised below

Passive Multi- Asset V	0.410%	0.093%	0.503%
Passive Multi- Asset IV	0.410%	0.094%	0.504%
Passive Multi- Asset III	0.420%	0.097%	0.517%
Passive Multi- Asset II	0.420%	0.094%	0.514%
Passive Multi- Asset I	0.410%	0.093%	0.503%
Passive Annuity Purchase CS1	0.410%	0.085%	0.495%
Money Market CS1	0.440%	0.156%	0.596%
UPS Balanced Growth	0.410%	0.086%	0.496%
UPS Equity Growth	0.410%	0.084%	0.494%
UPS Money Market	0.360%	0.140%	0.500%
UPS Pre-Retirement	0.410%	0.087%	0.497%

The Trustee reviews these charges periodically as part of the Value for Member assessments.

6. Additional Voluntary Contributions (AVCs) for the Defined Benefit (DB) Section

The Trustee offers members of the DB Section the ability to accrue additional retirement payments through an AVC policy. This AVC policy is managed by Prudential and all AVC benefits are invested in the Prudential With Profits Fund.

A With Profits Fund is a pooled investment vehicle, which combines the assets of all investors to provide exposure to a range of asset classes. The fund is managed in line with its published Principles and Practices of Financial Management (PPFM) however the provider does have some discretion over how this is achieved.

The value of a With Profit fund is not directly linked to the value of the underlying assets. Instead, returns over the period are smoothed by retaining some profits in periods of higher growth and paying out more during periods of lower profits. This smoothing is achieved through a combination of regular bonuses and final bonuses.

DC Section Statement of Investment Principles (Cont)

Regular bonuses are paid annually and represent the amount that the with profit fund manager believes appropriate to be passed on to members. There is usually no guarantee that regular bonuses will paid. Once paid however, they cannot be taken away providing the member keeps their investment in the policy until retirement or death.

Final bonuses (also known as terminal bonuses) may be added when benefits are paid. These are not guaranteed and will depend on a variety of factors including the fund performance over the period, bonuses already paid, expenses etc.